Confidential Collection No. 74 of 44

Year 1944-45
Cb. 309-44-1

Subject: Correspondence relating to the meetings of the Ministers and the meeting of the Princes held at Bombay on the 29th and 30th April 1945.

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CONFIDENTIAL.

Collection No. 74 of 44

Year 1944—1945.

C. B. 307—44-1.

General and Revenue

Secretariat.

Confidential Branch.

SUBJECT

Correspondence relating to the Meeting of the Ministers and the Meeting of the Ministers & Prin held at Bombay on the 29th & 30th April 1945.

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Notes:— 1—131

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PREVIOUS REFERENCES.	LATER REFERENCES.

WD 03946—GPB—300—8-9-43

(Attended by Rao Manuk)

List of Contents in the file

C.B. 307-44-1 - (C.C.74-44)

1. Proceedings of the Meetings of the Committee of Rulers and Ministers held at Bombay in April 1945.

2. Notes of discussion recorded by the Minister.

3. Reference Papers.

(i) Memorandum by the Chancellor's Secretariat regardi the position of the Indian States in the future Constitutional arrangements and the recommendatio of the Study Circle thereon.

(ii) Explanatory Memoranda on the subject of taxation on industries in Indian States along with a note by Mr. Gulam Mahomed.

(Also a note by the Financial Secretary, Mysore Govt on the above subject)

(iii) Memorandum Explanatory regarding certain matters rela ing to post-war planning xxxx and industrial devel ment affecting the States, with copies of discussi with the Political Department in October 1944 and January 1945.

(iv) Explanatory Memorandum regarding the recommendations the FinanceCommittee of Ministers on the budget pr posals of the Government of India 1945-46, so far a they affect the States.

(v) Memorandum Explanatory regarding representation of St on All-India Committees and Empire and International Conferences, with a copy of letter dated 9th Novemb 1944 from the Political Advisor to the Chancellor.

(vi) Explanatory Memorandum regarding the question of Tra Mark Legislation and reciprocal arrangements, with a note by the General and Revenue Secretariat, Mysore Government)

(vii) Explanatory Memorandum regarding India's Sterling Balances and the position of States.

(viii) Summary of Proceedings of All-India States Conferenc on Education, Public Health, Medical Relief and pos war reconstruction.

(ix) Letter by Sir Manubhai Mehta regarding the Government of India Policy Committee on Transport and of the Ttansport Advisory Council.

(x) Government of India Memorandum dated 24th February 19 regarding the changes in the Constitution of the Tripartite Labour Organisation.

(xi) Explanatory Memorandum regarding levy of certain exci duties etc.

No. 5

Secretariat of the Committee of Ministers.
(Chamber of Princes.)

New Delhi.

Circular No:5/M.C. 10th February, 1945.

Dear Sir,

It is proposed to convene the next meeting of the Committee of Ministers some time about the middle of April, 1945. I am desired to ascertain from the members -

(a) any dates which would not suit them so that as far as possible they may be avoided in fixing the final dates.

(b) any suggestions of items for inclusion in the agenda. A brief explanatory memorandum is required under the rules in respect of each subject proposed for inclusion in the agenda.

Pending any reply I am to state that

Yours sincerely,

MAQBOOL MAHMOOD
Secretary
Committee of Ministers.

If the Minister R & L finds it convenient to attend the next meeting, I shall propose his name & forward his views, if any, as regards (a)

Minister R & L
with compliments

24/2/45

4) Chief Secy will you please let me have previous H, if any, on this subject.

27/2/45

membership on the Committee of

5) Bold with the following references: Nil Nil Nil

b — 1) Rules re constitution of the Committee of ministers [C.P.(S)-42-138-145]

i-ii-b — 2) Papers re selection & nomination of Rajaratna Pravina to

hi — Madhava Menon as a member of the Committee [C.P.(S)-82-39-182]

2 — 3) Papers re the nomination of Rajaratna Pravina

H — & K.V. Anantaraman as a member of the Committee [C.P.(S)-206-40-145]

362 — 4) Papers re Report of the meeting held at Baroda

P — and attended by Rajaratna Pravina K.V. Anantaraman [C.P.(S)-51-43-3]

5) Papers re nomination of the Dewan as a member

D — of the Committee [C.P. 95-43-142]

B — 6) Papers re the meeting held at Hyderabad [C.P.(S)136-44-1

6) The previous meeting of the

A — committee was to proceed to have

1.3.45. been held in November but the

proceedings were not received here.

43.

ch' Tey

Min R & D) 1/3/45.

8) I am somewhat nebulous about the proposed meeting but I shall be glad to attend it. The Venue is not however clear. If they intimate the Venue above, it will help me to make arrangements for my stay. Perhaps this information will be obtd by telegram.

9) As regards the date anytime

between the 10th and 20th April would suit me.

10) As regards (b) in the letter of the Secy perhaps the Dewan will be good enough to put me in the way of the Political Branch of the Chief Secretariat can make suitable enquiries.

Dewan) 5.3.

11) A D.S.N. may be put up suggesting that Mr Hunter R+L may be deputed to attend the next meeting of the Committee of Ministers. The details referred to above may be settled on receipt of His Highness's orders approving of the deputation.

Chief Secy) 6/3/45

7572/6/3

DEWAN'S OFFICE
7. MAR. 1945
5854

Submitted to His Highness

7

His Highness the Maharaja was graciously pleased to nominate me to serve on the Committee of Ministers of the Chamber of Princes from March 1944.

PUD.

I submit herewith a Circular letter dated the 10th February 1945 received from the Secretary to the Committee of Ministers, New Delhi, regarding the next meeting of the Committee which is proposed to be held about the middle of April 1945. I beg to suggest that Mr. O. Pulla Reddi, Minister for Revenue and Law, may be deputed to attend this meeting.

I solicit His Highness's gracious approval to the proposal.

N Madhava Rau

Bangalore,
7th March 1945.

DEWAN.

8

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Proposal to depute Mr. O. Pulla Reddi, Minister for Revenue and Law, to attend the meeting of the Committee of Minists of the Chamber of Princes in April 1945.

679

Order.

9/3/'45.

General and Revenue
Secretariat.

c738

9

SUBJECT:—

Proposal to depute Mr. O. Pulla Reddi, Minister for Revenue and Law, to attend the meeting of the Committee of Ministers of the Chamber of Princes in April 1945.

(*)

14. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Ministers for perusal after the issue of orders.

16. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after, to the Chief Secretary for circulation to the Ministers.

17. In all other cases, the files will first be circulated to the Ministers at Headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to Council of Ministers for perusal of His Highness' orders before/after issue of orders. (*Vide* Rules 14, 16 and 17 of the Subsidiary Rules of the Mysore Government Business Rules.) (*)

Chief Secretary to Government.
10/3/45

Through the Secretary to Government,

.....Department

Minister for Revenue and Law.

6980
19/3

Minister for Public Works and Industries.
19.3.45

7234
20/3

Minister for Local Self-Govt. and Public Health.
20.3.45

6787
21.3.45

Minister for Food and Civil Supplies.
23/3

26/3/45

NOTE.—Contn. sheet

WD 01413—GBP—500—29-11-44

10

Secretariat of the Committee of Ministers.
(Chamber of Princes).

4, Council House,
New Delhi.

5th March, 1945.

DEWAN'S OFFICE
12 MAR 1945
1461

Meeting of the Committee of Ministers proposed to be held in April, 1945.

Dear Sir,

I am desired to invite attention to my circular letter No:5/M.C dated the 10th February, 1945, on the above subject and solicit an urgent reply. ~~by wire~~

Yours sincerely,

Secretary
Committee of Ministers.

Deputation of Mr. G. Pulla Reddi to attend the meeting of the committee of Ministers in April 73.

Submit minute a draft letter from the Dewan to the Secy. of the committee. After issue, the file minute be sent submit minute regarding to the Dewan's minute in para 11.

flag A.

(G)
10.3.

ch. 73

Dewan
10/3/73

Approved by Dewan & issued.

(G)
Dy.

731

12

10th March 1945.

Dear Mr. Maqbool Mahmood,

With reference to your Circular letter No. 5/M.C. dated the 10th February 1945, I write to state that Mr. C.Pulla Reddi, M.A., I.C.S., Minister for Revenue and Law, will be deputed to attend the meeting of the Committee proposed to be held in April 1945.

Any date between the 10th and 20th April 1945 would suit him.

CB.

UO 12/3/45

Yours sincerely,

Sd. N. Madhava Rau

Mir Maqbool Mahmood, Esq., Bar-at-Law,
Secretary to the Committee of Ministers,
Chamber of Princes,
4, Council House, NEW DELHI.

10th March 1945.

Dear Sir,

With reference to your Circular letter No.5/S.C. dated the 10th February 1945, I write to state that Mr. O. Pulla Reddi, M.A., I.C.S., Minister for Revenue and Law, ~~has been~~ will be deputed to attend the meeting of the Committee proposed to be held in April 1945.

Any date between the 10th and 20th April 1945 would suit him.

Yours sincerely,

10/3/45

Maqbool Mahmood, Esqr., ~~M.A.~~, Bar-at-Law,
Secretary to the Committee of Ministers,
Chamber of Princes, New Delhi.

Continuation Sheet. File No. / Current No. of Page.

It is for orders if this may now be added to the Report of Minutes with reference to this minute of 5th March 1940 and the Departmental orders in para 10 of the notes. A summary of the proceedings of the last Meeting held in November is also put up.

The file will then be circulated to the Ministers for perusal of the orders.

WO 7825 WO 07/15/43 13/3 Yes

Seem; it would be a great convenience if no venue & probable date of the Conference are ascertained by telegram 8th 12.3. (Min R & D)

Chief

for Perusal.

WO 16/13/43.

WD 0726—GBB—25,000—15-9-44

323 | C-D
17.3.45 — Immd.

15

EXPRESS TELEGRAM.

TO

SECRETARY

COMMITTEE OF MINISTERS,

NEW DELHI.

REFERENCE YOUR CIRCULAR No.5 DATED TENTH FEBRUARY 1945 KINDLY INTIMATE VENUE AND PROBABLE DATE OF MINISTERS COMMITTEE MEETING.

-- CHIEF SECRETARY --

From,

The Chief Secretary to the Govt. of Mysore.

Bangalore, 17th March 1945.

Chief Secy. to Govt.

16

B. T B. INDIAN POSTS AND TELEGRAPHS DEPARTMENT. No.

11.10 am

Recd. at ____ H. ____ M.	Sent at ____ H. 10 M.	Office Stamp.
From ____	To ____	
By ____	By ____	

OH NEW DELHI C-21 37 CHIEF SECY MYSORE BANGALORE.

YOUR TELEGRAM SEVENTEENTH RECD TODAY REFCE INVITED MY SUBSEQUENT CIRCULAR DATED SIXTEENTH INSG INTIMATING DATE MINISTERS COMMITTEE FROM TWENTYSECOND TO TWENTYFOURTH APRIL & VENUE GWALIOR STOP. GRATEFUL REPLY = SECY NARENDRA

Eden Press, Calcutta.—No. 146-(5167/B.99)—26.7.44—10,000 Bks.

3855
21/3/45

Submitted for perusal. The question is under circulation. (The circular dt 16/3/45 stated it has been despatched by the Cig. Committee of Ministers has not yet been received. Its receipt is awaited.)

8112 22/3

Ja 22/3/45

chetty 22/3

OFFICE OF THE MINISTER FOR REVENUE & LAW 22 MAR 1945 No. 3665

GR 22/3/45

Min R & L) WD 22/3/45

Please put this up with the circular @ 16 dt. when received or about 27 dt. Whichever is earlier.

25/3. WD

Submitted

It is ascertained from

26/3/45

WD.0726—GPB—25,000—15-9-44.

18

Continuation Sheet. File No. C.B. 3467
Current No. of Page.

The Secretary's office that the circular dated 16/3/45 referred to in the telegram has been submitted to the Minister for Revenue & Law today.

Sgd. [illegible]

24/3/45.

26.3.45.

Min R & L) WP

26/3/45

OFFICE OF THE MINISTER FOR REVENUE & LAW
27 MAR 1945
No. 3823

Seen by the Minister

Sgd

(B.)

28/6/45

Sgd

25/6/45

Extract from D.9665/Prots 19

SECRETARIAT OF THE COMMITTEE OF MINISTERS.
(Chamber of Princes).

Circular No. 19

Council House,
New Delhi,
16th May, 1945.

Dear Sir,

I am desired to notify that His Highness the Maharaja Gaekwar of Baroda has nomincated Sir B.L. Mitter, K.C.S.I., his Dewan to serve on the Committee of Ministers in place of Mr. B.A. Gaekwar.

Yours sincerely,

MAQBOOL MAHMOOD,

Secretary,
Committee of Ministers.

Being Legs orders
dated 11.7.45
(as may also note)
Ji

CS please keep a copy.
(Sd) C.S.R.
11/7/45

Le with CS 386-44-1

C.B 307-44-1 1. 20

OFFICE OF THE
MINISTER FOR REVENUE AND LAW.

BANGALORE,

Dated 5th May *1945*.

OFFICE OF THE MINISTER
FOR REVENUE & LAW.
No. 4688
Date 5/5/45

I enclose herewith for the information of the Dewan and for the gracious perusal of His Highness a brief note on the meeting of the Ministers and the meeting of the Ministers and Princes which I attended at Bombay recently.

S/S.

D e w a n.)

Submitted to His Highness

The Minister for Revenue and Law attended the meeting of the Committee of Ministers and the informal meeting of Rulers and Ministers held at Bombay recently. I submit for His Highness's gracious perusal the note received from the Minister on the proceedings of the meetings.

P

N Madhava Rau

Camp Fernhill,
7th May 1945.

D E W A N .

P. 27

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Note from the Minister for Revenue and Law on the proceedings of the informal meeting of Rulers and Ministers held at Bombay in April 1945.

968

Order.

9/5/'45.

Chief Secy
Rev.
WQ 16/5/45 13/5/45

C.B. 307-44-1

4
23

General and Revenue Secretariat.

C 925.

SUBJECT:—

Note from the Minister for Revenue and Law on the proceedings of the informal meeting of Rulers and Ministers held at Bombay in April 45.

(*)

14. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Ministers for perusal after the issue of orders.

16. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after, to the Chief Secretary for circulation to the Ministers.

17. In all other cases, the files will first be circulated to the Ministers at Headquarters and then sent to the Secretariat concerned for the issue of orders.

(Vide Devan's orders on note below. Papers have to be sent to Mr. V. L. D'Souza for Stmts & Returns)
QA

Circulated to Council of Ministers for perusal of His Highness' orders before/after issue of orders. (*Vide* Rules 14, 16 and 17 of the Subsidiary Rules of the Mysore Government Business Rules.) (*)

Vedamurthy
Chief Secretary to Government.
16/5/45

Through the Secretary to Government,

.....Department

Minister for Revenue and Law. 17/5

8661/18/5 Minister for Public Works and Industries. 19.5.45

9301/22/5 Minister for Local Self-Govt. and Public Health. 9 days time for the work in the file. may be put up.

8001/22.5.45 Minister for Food and Civil Supplies. Yes. Seen 22.5.45 22.5.45

25/5

CONFIDENTIAL
DRAWER
No. 4988
Date. 29/5

NOTE.—Contn. sheet

WD 01413 -GBP—500—29-11-44

Please record & give me copy
CB 29/5

CB

WD 28/5/45

I left Bangalore on the 27th April and reached Bombay on the afternoon of the 28th. The same afternoon I contacted some of the members of the Study Circle. Next morning, a number of Ministers of the Study Circle met informally to review the present political conditions and to make suitable recommendations to the Main Conference of the Ministers regarding the policy the States should generally adopt in view of the rapidly changing political conditions in India and abroad. The Study Circle prepared a memorandum and placed it before the Conference of Ministers and the Ministers after considering the memorandum, made certain modifications and finally approved it. It is understood that the memorandum will be considered in the first instance by a Committee of Rulers and later by the Chamber of Princes. A copy of the memorandum as finally approved by the Conference of Ministers is enclosed. (AppendixI) All the Ministers were unanimously of the view that the more backward States should change their policy and fall into line with the more advanced States. The minimum criteria considered essential for the States before they can speak with any authority on the future constitutional developments in India are recited in paragraph 4 of Appendix I, enclosed herewith. I pointed out that Mysore State is very much more advanced than the minimum criteria laid down in paragraph 4 and in order that the public who may have access to this document may not misunderstand the position of such advanced State as Mysore, paragraph 5 was inserted. Paragraph 5 states that while it is recognised that a few of the States not only conform already to the standards prescribed but in certain respects have gone even beyond them, the standards

prescribed are the barest minima ~~minima~~ which ought to be attained by all the States. This memorandum was later discussed informally by the Princes and Ministers and all the Princes present felt that the Study Circle had made a very wise recommendation. Some of the Princes like for example, His Highness Maharaja of Nawanagar and His Highness the Maharaja of Bikaner expressed that the time had come when they must identify themselves very much more with the wishes of their people rather than rely upon the Paramount power for help and guidance. This memorandum, it is understood, will be discussed in due course by a Committee of Princes and later by the Chamber of Princes.

In the absence of Sir Manubhai Mehta, the Nawab of Chatari presided over the Conference of Ministers. Various subjects, numbering about 15, were discussed and the decisions taken are reproduced in the summary enclosed herewith as Appendix 2. Of the subjects discussed, only 3 ~~and~~ 4 are of some interest to Mysore State. The subjects that roused the greatest interest and provoked the greatest amount of discussion were :- (a) Taxation of Commercial and Industrial Concerns in Indian States and (b) Post-War Planning and Industrial Development in India so far as they affected the States. A Sub-Committee of Ministers was appointed, of which I was elected Chairman to make recommendations to the Main Conference of Ministers. After a great deal of discussion both in the Sub-Committee as well as in the Main Conference, it was decided to recommend to the Chamber of Princes that it was impossible for the

States to approximate their incidence of taxation to the levels obtaining in British India within any short period, as the trade economy of British India has taken considerable period to reach its present state of development and that various factors have contributed to make the industrial Development of British India far ahead of the States and that it was therefore necessary in the interest of the States as also of a planned - all-round development of industries of India as a whole that conditions should be created so that the States which are generally backward areas may be able to make up the leeway in industrial progress. The Conference of Ministers also endorsed the protest lodged on behalf of the States with the representatives of the Government of India sometime in January 1945 against the decision to make industrial and Commercial Concerns in the States liable to British Indian Taxation on profits arising out of contracts with the Departments of Government of India. As regards Post-War Planning and Industrial Development, it was decided that the Government of India should be asked to provide all the facilities necessary for the States to develop their - resources and before any major decisions were taken, which would affect the States, the States should also be consulted. For more details attention is invited to Appendix 3.

The next question that aroused considerable interest was about the representation that should be accorded to the States on All India Committees and Empire and International Conferences. It was

felt that the States should be associated to a larger extent with International and Empire Conferences and Committees and for this purpose, representatives generally acceptable to the States should be nominated as opposed to nominations of persons merely acceptable to the Government of India. Finally, it was decided to appoint a Sub Committee to make a recommendation at the next meeting.

The question of Trade Mark Legislation was discussed at length and the Conference finally decided that the States could agree to the necessary co-ordination regarding Trade Mark Legislation in India provided they were consulted by the Government of India. Apart from co-ordination of legislation on the subject they should not agree to the subordination of their officers to any outside agency, such as the main office at Bombay or to making a contribution to British India, as suggested, of 50 % of all trade mark fees received by their own agencies.

The position of States vis-a-vis the sterling balances which have accumulated in London was then taken up for discussion. I pointed out that as a result of the accumulation of sterling balances in London, the currency in circulation in India has gone up to over thousand crores from about 250 crores before the war and that as inflation is only a method of indirect taxation, the people of the States should benefit as much as the people in British India when the sterling balances begin to be liquidated. The Conference agreed with my view and it was decided to refer the question to

to the Finance Committee of the States for further discussion and making recommendations to the Committee of Ministers.

It was suggested that a Conference should be held of the speakers and secretaries of the Legislatures in States. It was felt that as conditions were very dis-similar in States, it was not necessary to have such a Conference.

The All India States Conference has made certain recommendations on Education, Public Health and Medical Relief and Post-War Reconstruction. It was felt that uniform action was not possible and therefore no specific recommendations could be made but that the recommendations of the All India States Conference should be circulated to all the States for such action as they might like to take.

Transport is becoming increasingly important and in view of the various schemes that are being considered for co-ordination of road and rail transport throughout India after the war, it was decided to recommend to the Government of India that they should not take any decisions which have any influence on transport within States without consulting them.

The last question of some importance that was discussed by the Conference of Ministers was the development of water and power resources of the country which pass through or affect many provinces and States and the promotion of regional bodies for that purpose. It was decided to refer the examination of this question in the first instance to an early meeting of the Legal Committee of the States to which representatives of the States which have

important riparian interests may be invited.

X X X X X

The Conference of Ministers met on the 29th and 30th April and closed its discussions on the afternoon of the 30th. On the 1st of May the Conference of Rulers and Ministers met. Amongst the Princes who attended were :- Their Highnesses the Nawab of Bhopal, the Maharaja of Nawanagar, the Maharaja of Bikaner, the Maharaja of Patiala, the Maharaja of Dholpur, the Maharana of Dungarpur, the Nawab of Palanpur and the Maharaja of Purbandur and amongst the more important Ministers were :- The Nawab of Chatari, Sir C.P. Ramaswami Iyer, Sir Mirza Ismail, Sir T. Vijayaraghavachari, Sir Liquat Hyatkhan, Mr. K.M. Punikar and representatives of a few other States. At the preliminary discussions the Ministers emphasised that it was very necessary for the Rulers to recognise the changing conditions in India and to adjust their policy accordingly. The Princes readily agreed that it was most necessary and desirable that they should identify themselves with the interest of their people as also of the people in British India. They agreed in substance with the recommendation made by the Study Circle in Appendix I and reserved further discussion to a Sub Committee of the Princes. On the 2nd May there was a more intimate discussions of the policy the States should adopt in the event of major constitutional changes in India after the termination of the war. Various Ministers took part and it was

generally recognised that the Princes should have to reckon with three parties in future, namely :- (a) The Paramount Power, (b) the people within their own States and (c) the people in British India and that it was desirable to remove all misunderstandings in all these three quarters and enlist their co-operation. As to the future line of action, there was considerable difficulty in arriving at a decision. It was thought that the best thing would be to appoint a Committee consisting of the representatives of ten of the Major States and about 5 representing the minor States and about half a dozen Princes so that they may contact in the best possible manner the Paramount Power and the political parties in India to ascertain the greatest common measure of agreement and also to explore how best the States can fit in to a new scheme for All India. At this stage I left the Conference as I had to catch the train. But I believe this was the decision finally arrived at by the Conference.

I would like to add by way of my general impression that all the Ministers assembled were definitely of the view that the Princes of some of the States should materially change their outlook and align themselves on the side of the progressive elements in British India and the Princes present themselves expressed that unless they joined forces with the progressive elements in India as a whole, their future would be uncertain and that it was not much use relying upon Treaty Rights and protection and help from the Paramount Power. The discussion indicated that the States would have to join a scheme of All India Federation with necessary -

safeguards so that they may not be swamped and their interest jeoparadized by the more advanced sections and Provinces of British India. I pointed out time and again that Mysore had nothing to fear and was willing to march forward. The Ministers and Princes recognised that Mysore was very much in advance of even British India in some respects but stressed that when the question of Federation came up, all the States should work together as a team.

MINISTER FOR REVENUE AND LAW.

Appendix I.. 10. 31

Resolution. Memorandum

The Study Circle have carefully considered the Memorandum prepared by the Secretariat on the position of the Indian States in the future constitution of India.

His Majesty's Government have already declared their intention to place India on the footing of a Dominion under the Statute of Westminster and there is urge also in the Commonwealth and Allied countries in favour of a free and self-governing India.

The military and economic requirements of India themselves point towards far-reaching changes in the Indian Constitution, which are certain to effect an immediate transfer of power from British to Indian hands.

Recent moves in the spheres of post-war planning and industrial reorganisation show distinctly that the States are already faced with an attempt to form a virtual economic federation on an All-India scale.

II. Whatever the details of the future Indian constitution may be, and whether or not there will be more than one Union in India, it appears inevitable that it will be of a federal pattern.

The States must make up their minds as to the choice which they will soon be called upon to make. It is essential for the States to bear in mind that -

(a) they will not occupy in the forthcoming discussions the position of vantage which they occupied during the federal negotiations when their accession was made a condition precedent to responsibility at the Centre. The Cripps formula provides and recent developments indicate that British India may become a Dominion even without the adherence of the States. The main reason therefore which previously necessitated accommodating the claims of the States no longer exists.

It must further be emphasised that the war effort of the States is not likely to make up for the purposes of negotiation the loss of the position which the States once enjoyed.

(b) Continuance on the basis of Paramountcy is not a future which can be faced with equanimity, specially when the rest of India comes to enjoy political freedom.

The British Government will not be in a position in a Dominion India effectively to fulfil its obligations of defence or to safeguard the non-acceding States against economic strangulation or discrimination by the Dominion Government.

The discretionary safeguards provided for in the Act of 1935, which were already more or less illusory, would be altogether inconsistent with a Dominion constitution, and, in the ultimate resort the Crown cannot go to war against itself.

III. The members of the Study Circle wish to emphasise that it is necessary for the States to utilise the present time when gratitude for the war effort of the States is still fresh and there is more inclination than may be found later to support their legitimate claims and aspirations.

32-A

It is necessary, therefore, for the States to take immediate steps to make their case understood and appreciated in England and in India and to enlist the goodwill of the British as well as the Indian public.

For this purpose, the States should internally set their own house in order and externally align themselves with the forces of progress.

Nothing can serve to secure an effective voice for the States in the future negotiations unless they establish themselves as well-governed and progressive units, second to none in support of the legitimate aspirations of India. This is all the more essential as many misunderstandings do exist with regard to them both in England and in India, which must, in the interest of the States themselves, be eliminated.

IV. In view of these considerations, it is urged that there should be increasing association of the people with the governance of the States and in particular the following measures should be implemented forthwith by the States:-

(a) To create legislatures based upon representation by election, with substantial powers (the same to apply to Local Government institutions).

(b) To effect close association between the Executive and the Legislature.

(c) To create an efficient and qualified judiciary, independent of the executive.

(d) To separate from the expenditure of the State the Civil List of the Ruler and to fix it at a reasonable amount.

(e) To ensure similarity of standards at least as compared with the neighbouring Provinces in matters like Education, Medical Relief and other activities meant for the well-being of the people.

States which cannot ensure the above standards by themselves should do so by suitable arrangements with some other State or States as recommended by the ad hoc (Bikaner) Committee on standards of Administration.

V. It is recognised that a few of the States not only conform already to the above standards but in certain respects have gone beyond them. Moreover, there are some claiming a large proportion of the population of the States which do fulfil many, though not all, of the above requirements. The standards enumerated above are, however, the barest minimum which ought to be attained by all the States.

VI. In addition to the above, the members of the Study Circle suggest that a small committee may, as recommended in paragraph 20 of the Memorandum, be formed to watch developments and suggest such line of action as they may deem necessary.

It is equally essential to make an informal approach in England through select Rulers and representatives of States who should effect contacts and ascertain the trend of opinion in relation to India and the States, while explaining to leaders of public opinion in England the point of view of the States.

VII. The next few months are likely to be the most crucial in the history of the States. The Members of the Study Circle venture to emphasise that the time for action in the directions indicated above has come and postponement of such action would involve the gravest peril to the very existence of the States.

SECRET.

Memorandum, on the position of the Indian States in the future constitutional arrangements for India, prepared as a basis of discussion for the special meetings to be held in Bombay in April–May, 1945.

Possibility of early reopening of talks on the constitutional problem of India. Need for the States to be prepared to make effective contribution.

Recent events indicate that important consultations in regard to the Indian constitutional reforms might be initiated soon after His Excellency Lord Wavell returns to India. This is welcome as the Indian Princes have already associated themselves with the general desire for the political advancement of the country. At the same time, it is incumbant on the States to be fully prepared, without any delay, to make their contribution at any consultations that might take place towards assisting the Motherland and for ensuring due protection of their legitimate rights and those of their peoples.

Cripps offer-attitude of the States.

2. The Draft Declaration of His Majesty's Government brought by Sir Stafford Cripps is reproduced in Appendix A. Even though this Declaration has technically been withdrawn its principles still hold the ground, and it seems probable that the consideration of the future constitution of India would proceed on the basis of the status which would be enjoyed by the Dominions after the war. The Indian States have already expressed their readiness to make their contribution in every reasonable manner compatible with their sovereignty and integrity towards the framing of the new constitution of India. The resolution adopted unanimously by the States Delegation and the Special Committee of Rulers and Representatives of States which were appointed in connection with the Cripps' Mission, was follows:—

> "The attitude of the Indian States in general on the Mission of the Lord Privy Seal is summed up in the Resolution (Appendix B) on the subject which was adopted unanimously at the recent Session of the Chamber of Princes. The Indian States will be glad as always, in the interest of their Motherland, to make their contribution, in every reasonable manner compatible with the sovereignty and integrity of the States, towards the framing of a new Constitution for India.
>
> The States should be assured, however, that in the event of a number of States not finding it feasible to adhere, the non-adhering States or group of States so desiring would have the right to form a Union of their own with full sovereign status in accordance with a suitable and agreed procedure devised for the purpose".

Such a provision, it has since been explained, need not necessarily lead to a separate Union or Unions for the States. It would place the States at par with the Provinces in the Constitution-making body and is likely to assist in the framing of a reasonable and fair all-India constitution to which the States may be able to adhere.

The question of a separate Union or Unions for the States was further examined by a Special Committee of the States. It reached the conclusion that the attitude of the States on this issue would depend to a large extent on whether British India is to have one or two Unions and whether either or both these Unions would or would not include the States. In the event of a single Union of an All-India character being set up, there is likely to be a greater urge on the part of the States either to join it or to remain aloof than to form a separate Union of their own. The picture would be different, however, if a single All-India Centre does not emerge as a result of the future constitutional discussions, and if British India itself is divided into two Unions, whether admitting States or not. The difference in the advantages of joining any such Union with a few of the Provinces and those of joining Union or Unions of States alone would then not be so great. Granted, therefore, that a Union or Unions of States is a possibility, more particularly in the event of a single All-India Centre not emerging from the constitutional discussions, the practical problems involved in their formation and working would merit detailed and expert examination. It is obvious, however, that a Union of States

(c) The dynastic and personal affairs of the Princes should be entrusted to a special body similar to the Privy Council in England.

(d) Adequate provision should be made for securing to the States due recognition of their special interests in the Defence of India. One suggestion made to this end is the appointment of a Standing Committee on Defence on which the States should have special representation.

(e) In order that the Princes and States should carry their full weight in the future political life of India, it is essential that their relationship with their own people should be strengthened by the introduction of such reforms, where needed, as would make their administration more efficient and progressive and will ensure constitutional advance aimed at the increasing association of the people with the Government through representative institutions which should take due note of the structural balance of society in individual States. Moreover, such States as are too small to maintain by themselves efficient and modern administration should do so in suitable arrangements with some other State or States.

5. The first and second Report of the Drafting Committee, and the Resolutions thereon of the Study Circle and the Committee of Ministers, have already been circulated to the States. Particular attention in this connection is invited to the recommendations made in sub-paras (*a*), (*b*) and (*c*) of paragraph 9 (regarding treaty rights,) sub-paras (*a*) and (*b*) of paragraph 10 (regarding revision of treaties) and in paragraphs 11 (essential safeguards) 12 to 14 (Dominion Status), 39 to 43 (Union of the States) and 44 to 45 (other points relating to future constitution) of the first Report of the Drafting Committee, and to the recommendations made by the Committee in their second Report in regard to the following items referred to them:—

(*a*) HOW CAN EFFECTIVE PROTECTION OF THEIR TREATIES AND ENGAGEMENTS BE ENSURED IN THE FUTURE TO SUCH STATES AS MAY DECIDE NOT TO ADHERE TO ANY UNION BETWEEN BRITISH INDIA AND INDIAN STATES?

(*b*) WHAT PROVISIONS IN THE TREATIES AND ENGAGEMENTS OF THE STATES SHOULD BE REGARDED AS FUNDAMENTAL *I.E.* ESSENTIAL FOR THE CONTINUED EXISTENCE OF THE STATES AS SEPARATE CONSTITUTIONAL ENTITIES? HOW FAR ARE THESE PROVISIONS TO BE EMBODIED IN THE CONSTITUTION OF THE UNION SO AS TO BE LEGALLY EFFECTIVE? WHAT WOULD BE THE ULTIMATE SANCTION TO ENDORSE THESE PROVISIONS?

(*c*) WHAT SHOULD BE THE AGREED MACHINERIES FOR REVISION OF EXISTING TREATIES BOTH IN THE CASE OF ADHERING AND OF NON-ADHERING STATES?

(*d*) FUNCTIONS OF THE COMMITTEE OF DEFENCE.

(*e*) CONTINUANCE OF THE RULING DYNASTY ACCORDING TO THE CUSTOMARY LAW OF THE STATE.

(*f*) PROCEDURE FOR REVISON OF THE CONSTITUTION.

(*g*) CONSIDERATION OF POSSIBLE ALTERNATIVES INCLUDING ALTERNATIVES NOT BASED ON ANY FORM OF FEDERAL UNION WITH BRITISH INDIA SO THAT THE STUDY CIRCLE MIGHT HAVE BEFORE IT, FOR PURPOSES OF PRELIMINARY EXPLORATION AND EXCHANGE OF VIEWS. DIFFERENT CONSTITUTIONAL POSSIBILITIES FOR THE REGULATION OF THE FUTURE

RELATIONSHIP BETWEEN THE CROWN AND STATES, THE STATES AND BRITISH INDIA AND THE STATES INTER SE.

(*h*) CONSIDERATION OF THE QUESTION OF SEPARATE UNION OR UNIONS OF STATES IF UNAVOIDABLE AFTER THE NEW CONSTITUTION.

Attitude of the States on the Constitutional advancement of India.

6. The attitude of the Indian States towards the future status of India has been stated in unequivocal terms in a statement recently made by His Highness the Nawab Ruler of Bhopal as Chancellor of the Chamber of Princes. He said:—

> "I feel necessary to repudiate, in language which will not permit of doubt or amboguity, the insidious suggestions, made by certain quarters in India, which misrepresent the Indian Princes as opponents of India's constitutional freedom and as impediments to her progress toward that end. Never was there a greater distortion of the truth. We yield to none in patriotism and love for our country. We wish to see her great and honoured, filling in her own right a position in the comity of the world to which her history and the achievements of her people entitle her. To assist in securing this end, we are ready to make what contribution we can. But the sanctity of convenants is the foundation of all civilised life, and no party which respects sanctity of convenants can blame us for urging that any constitutional arrangements for India must ensure due fulfilment of the established rights of the States and that these rights should not be unilaterally modified".

Dominion Status-its application to India.

7. There are indications that another attempt may be made in the near future to explore possibilities of setting up an all-India Union based on the Statute of Westminster. Should this mature, certain important points would require consideration relating to Dominion Status in its application to India.

There is no statutory definition of the term "Dominion Status", but the "Dominions" have been defined in the report of the Belfour Committee "as autonomous countries within the British Empire, equal in status, in no way subordinate to one another in any aspect of domestic or external affairs, although united by common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations". According to this definition, the main ingredients of Dominion Status are:—

(*i*) A Dominion is equal in status with the United Kingdom;

(*ii*) Each Dominion has equal right to internal autarchy (i. e. absolute power of self-government) and external independence; and

(*iii*) A Dominion owes allegiance to the Crown. It must, however, be remembered that this declaration represented a generalization from the practice which usage and convention had established in the years which had succeeded the inauguration of responsible Government in the Colonies. In law, however, there were several restrictions on the authority of the Dominions and these strict rules of law remained unaltered till the Statute of Westminster was enacted. If, therefore, the status of a Dominion is conferred on the future Government of India, the following fundamental principles could be part and parcel of the new constitution:—

(*i*) Complete elimination of the authority of the Imperial Parliament;

(*ii*) Exercise of the powers vested in the Crown under the Constitution by the Governor-General on the advice of the Indian Cabinet;

(*iii*) Appointment of the Governor-General on the advice of the Indian Cabinet; and

(*iv*) Ouster of the jurisdiction of the Judicial Committee of the Privy Council.

The Statute of Westminster provides for the equality of status but not the similarity of function of the various members of the British Commonwealth. Special provisions have been incorporated in the Statute of Westminster itself which apply only to some of the Dominions. For instance, the Dominion of Canada is not constitutionally competent to alter or amend the British North America Acts of 1867–1930, nor can it invade in any matter the sphere of competence of the Provincial Governments. Similarly, the Constitution of Australia cannot be amended or altered by the Commonwealth of Australia except under the provisions of the Constitution Act. The Indian States could likewise urge that special provisions may be made in regard to the future amendments of the Indian Constitution which may inter alia lay down.

(*a*) that the provisions relating to the fundamental rights affecting the existence and integrity of the State and the continuance of the reigning dynasty in accordance with the custom and usage of the State, shall not be altered without the free consent of each adhering State; and

(*b*) that, if the members representing the States in the future All-India Legislature declare by a bare majority that any proposed amendment affects the States, such amendment shall inter alia require ratification by two/thirds of the Governments of acceding States, provided further that if any special rights of any individual State or the constitutional guarantees concerning any State are affected, no such amendment shall be applicable to that State without its consent.

There is another significant reservation in the Statute of Westminster. Section 9 Sub-Section (2) of the Statute preserves and continues the authority of the Parliament of the United Kingdom to enact laws with respect to any matter within the competence of the States of Australia in any case where it would have been in accordance with the constitutional practice existing before the enactment of the Statute that the Parliament of the United Kingdom should make these laws without the concurrence of the Parliament or Government of the Commonwealth of Australia. On the analogy of this provision the Indian States which accede to the new Constitution of India could, if they so desired, ask that all personal and dynastic questions relating to them should in future be decided in accordance with a special procedure to be settled in consultation with the States.

The safeguards suggested above would not detract from the status and the autonomy of the future Government of India as a Dominion, and could not therefore hamper or impede the constitutional progress of India as a whole.

Points requiring consideration in regard to the forthcoming consultations on the constitutional problem of India (paras 8 to 13).

8. Attention may now be invited to certain important points which deserve to be considered and kept in view in regard to any consultations which may take place on the constitutional problem of India. They are stated in the paragraphs that follow.

Need for goodwill between British India and States.

9. It is obviously essential in the interests of the States as also in those of India as a whole that no justifiable suspicion or lack of goodwill should be allowed to exist in regard to the attitude of the States towards the constitutional advancement of India. This would require an unequivocal reiteration of the patriotic attitude of the States towards the future progress of their Motherland on the lines of the Statement made by His Highness the Nawab Ruler of Bhopal and reproduced in paragraph 6 of this Note.

Treaty position of the States. No transferrence of their relationship with the Crown without their consent.

10. In this connection, reference may be made to main criticisms that are levelled against the States, even from responsible elements of British India, that the insistence of the States on the maintenance of their Treaties and the non-transferrence of their relationship with the Crown without their consent are intended as a serious obstacle in the way of India's progress. This however is not a correct interpretation of the position. The spokesmen of the Indian Princes have publicly stated that they are not blind to the requirements of the times and are ready to consider fair and equitable adjustments of their treaties and even to make reasonable sacrifices if necessary in the real interests of India as a whole. They cannot, however, be expected to agree that the terms of their treaties may be altered arbitrarily by unilateral action without their free consent.

At the same time, mention must be made of the other aspect of this question. There has been a tendency of late to lay undue stress on the exigencies of changing times as a factor in the interpretation of Treaties and Engagements. Apart from other results, this may be extended to cover even such fundamentals as the continuance of the ruling dynasty and the integrity of the State which, it is presumed, is not intended. It is essential that the position should be clarified. Moreover, the claim that interpretation of Treaties should be related to the exigencies of changing times makes it all the more imperative that such interpretation should be by an impartial tribunal and not by a party to the dispute. This procedure has in fairness been accepted even in the Indian Constitution framed by the All Parties Committee presided over by the late Pandit Moti Lal Nehru, ex-President of the Indian National Congress, and including an extremist like Mr. Subhas Chandra Bose. That Committee provided that all treaties so far as they are in force at the commencement of the new Constitution, shall be binding on the Commonwealth and that any differences of interpretation in regard to justiciable matters shall be referred to the Supreme Court for decision. They preferred this method, to quote their words, to "the present arrangement under which the Government of India is both a party and a Judge in a controversy between itself and the Indian States". The procedure of impartial settlement of disputes is available to the meanest citizen in the British Commonwealth. Its free application was strongly recommended even by the Butler Committee fifteen years ago. It was accepted provisionally by Lord Willingdon in 1932. It is the basis of the Dumberton Oaks Proposals for world security.

As regards the implications of the position that the Crown's relationship with the States should not be transferred without their agreement to any third party, the Special Committee of Rulers have reiterated that there is no intention of withholding consent arbitarily. In this connection, they have invited attention to the Resolution adopted by the Conference of Rulers in 1930, that this demand was merely "a corollary of the true constitutional position of the States and left the door open for negotiations between the States and British India with a view to arriving at an equitable and satisfactory arrangement on terms fair and honourable to both.

11. The fundamental rights required by the States in future Constitution for their continued existence as separate constitutional entities should be stated clearly in terms which may appear fair to the reasonable elements of public opinion in India. The six fundamental rights enunciated by the Drafting Committee are —

(*a*) Every State shall continue to retain its sovereignty except in so far as its powers have been expressly delegated by it to the Union by Treaty or Agreement, and as such it shall continue to exercise all its rights and powers except those referred to above.

(*b*) The territorial integrity of each State shall not be interfered with and the existing boundaries of a State shall not be altered without its free consent and approval.

(*c*) The reigning dynasty of each State, shall continue in succession in accordance with the custom, law and usage of the State.

(*d*) The existing form of government in each State shall not be interfered with by the Union or any unit thereof.

(*e*) No unfriendly act shall be permitted by one unit against any other unit.

(*f*) There shall be no discrimination against any unit.

Friendly contacts with British Indian leaders.

12. Friendly contacts should be established between leaders of public opinion in British India and the Rulers and Representatives of the States. This will help to eliminate many misunderstandings that exist and will pave the way for increasing goodwill and cooperation.

Industrial development.

13. Another factor of importance which is likely to be further emphasised in future is the inter-relation of the States and British India in regard to industrial development. The interests of both are closely linked together in this matter and are of vital concern to both. The attitude of the States on this question has recently been stated by His Highness the Nawab Ruler of Bhopal on behalf of the Special Committee of Rulers. The States have never sought to benefit themselves at the expense of British India. On the contrary they have made it clear that they are prepared to work together with British India for the country's greater economic advancement and prosperity. They must, however, see that impediments are not placed on the legitimate development of their own resources and that there is no discrimination against their peoples. The Indian States like British India must look primarily to the development of those resources to provide the necessary revenues to meet the growing requirements of progressive administration and for raising the standard of living of their people. With a few notable exceptions the State have still a long way to go before they can hope to reach even the stage that the rest of India has attained in the field of industry. In fostering their young industries they are actuated by no feeling of rivalry with, much less hostility towards, British India.

The States hold the view that there is ample room for both in the Economic World of the future and if any controversy should arise, in this as in other fields, they are willing to discuss matters and are confident that any differences can be settled without difficulty on a basis fair to their peoples and to British India and in the best interests of the country as a whole. They believe that there is no such incompatibility between these interests that one cannot be fairly met without injustice to the other. They have accordingly suggested that until such time as an All-India constitution is framed, their representatives may be associated with the Government of British India in the formulating and implementation of policies which affect them or with which their cooperation is desired.

Important recent developments in regard to the future constitutional arrangements for India.

14. Three important contributions have recently been made in regard to the future constitutional arrangements for India. They are—

(*a*) the recommendations of the Sapru Committee which have already been published.

(*b*) the statement made in England by Sir Mohammed Zafarulla which is reproduced in Appendix D.

(*c*) the Draft all India constitution published by Sir Sultan Ahmad.

Sapru Committee's recommendations.

15. As regards (*a*), *i. e.* the recommendations of the Sapru Committee, His Highness the Nawab Ruler of Bhopal was interviewed by a representative of the Reuters and he stated as follows—

> "The Indian Princes have already publicly associated themselves with the general desire for the constitutional advancement of their Motherland; at the same time, they would, as in the past, wish to avoid expression of views on matters of controversial nature which may concern British India alone. The report of the Sapru Committee, however, contains, certain important new suggestions which affect the States and which will require careful examination by the Princes and their advisers.

23.

Sir Md. Zafrulla's plan.

16. As regards (*b*), *i. e.* Sir Mohammed Zafarulla's article published in the Times of London, Mir Maqbool Mahmood made it clear to Sir Mohammad Zafrullah and to the quarters concerned in England that though he had neither received any instructions on this subject nor did he wish to comment on controversial questions which primarily concerned British India he felt that the States were not likely to accept the suggestion that at the dictation of any outside agency a specified percentage of representatives from individual States to any future Central Body must belong to any particular community.

Other proposals may also be made. States should retain freedom of action.

17. It is possible that other proposals for the future constitutional arrangements in India may be made by other quarters. Some developments might emerge after Lord Wavels return to India. The Indian States should retain the fullest freedom to consider all these alternatives at the appropriate time.

The Indian Princes, speaking generally, are likely to welcome an all-India Union acceptable to the various elements in India to which they may be in a position to adhere. They would be well advised to make their contribution to that end. Should circumstances beyond their control and the developments in British India, however, necessitate temporarily or otherwise the setting up of more than one Union, in the present unfortunate circumstances of India, the States must be free to consider their attitude towards one or more of these Unions and in regard to their own future position. Even in such a case it is obvious that there will be a few important subjects, such as defence, foreign affairs, customs and communications, which would require the closest collaboration of the Unions in India in their own interest and in order to enable India to pull its full weight in the world security plans and in the inner Councils of the Commonwealth. This would call for suitable arrangements under which the Unions of India may be able to act in concert on these vital matters of joint concern. Neighbouring countries have usefully combined for such purposes in the past. The Austro-Hungarian Constitution offers an instructive precedent. The salient features of that Constitution, which are summarised in an Appendix to the second Report of the Drafting Committee are reproduced as Appendix E.

Paramountcy paras 18–19.

18. Attention may also be invited to the question of Paramountcy. The States have declared that they regard a satisfactory settlement of this question as a condition precedent to their entry into any all-India constitution. In this connection, reference may be made to the following important remarks on the subject made by Sir Stafford Cripps in the course of his discussions with the States Delegation :—

(*a*) There is no question of the Crown transferring any paramountcy to the Union. The Scheme contemplates that the Union will have no paramountcy over the adhering States.

(*b*) The adherence of a State would automatically dissolve the Crown's special obligations to it. A State that adheres to the Union does so on whatever terms it makes with the Union. It becomes a part of the Union, and the Crown cannot have paramountcy over a portion of the new Union.

(*c*) The present scheme does not contemplate the preservation of dynastic and personal affairs of a Ruler to the exclusive jurisdiction of the Crown in the case of an adhering State. It would however be open to an adhering State to negotiate, and make suitable arrangements on these matters with the new Union.

(*d*) It is intended that the Crown will retain the means to implement its obligations to the non adhering States even after the new Constitution has come into being, and that the Crown's obligations to these States would be enforced with the usual sanctions such as diplomatic pursuasion, economic pressure and in the last resort the use of force. Everything necessary will be provided for implementing the Crown's

obligations to the non-adhering States. For this purpose, the necessary sanctions will be provided to the Crown, including the use of force in the last resort. Sir Stafford could not commit himself as to the conditions under which such sanctions could or would be operated under the new scheme.

(e) In the case of adhering States, Residents or Political Officers, etc. will disappear.

(f) Questions of paramountcy and protection of the non-adhering States will not be revised except with their consent.

(g) Sir Stafford made it clear that as regards the non-adhering States there was no intention of revising their Treaties in so far as the relationship with the Crown is concerned except with their consent. The non-adhering States would, however, appreciate that the new situation must involve some variation of their Treaties, or incorporation of some new clauses there in, relating to economic and fiscal matters of common concern to them and the new Union. The non-adhering States need have no alarm that their Treaties will be revised without their consent.

(h) In the case of a non-adhering State it is not contemplated that paramountcy should be discontinued. An acceding State, as already explained, would cease to be under paramountcy.

(i) The non-adhering States will retain their present constitutional position. It will depend on the decision of the Constitution-making body whether it will be possible or not for States that do not adhere in the beginning to do so later.

(j) If it be necessary for the fulfilment of Crown's obligations to the States to provide for the retention of Crown Troops or for the passage of Troops across the territories of the Union, it is contemplated to make suitable provision for it in the proposed Treaty between the Crown and the Union.

(k) Under the new Constitution, the Viceroy will have to be a separate person from the Governor-General, this matter has not yet been decided upon by the War Cabinet, but Sir Stafford had come to definite conclusion that the separation of the offices of the Viceroy and Governor-General will be inevitable under the new Constitution.

19. The extracts quoted in the last paragraph indicate, as pointed out by the Drafting Committee, that the following alternatives are likely to be available to the States in the future constitutional arrangements:—

(a) A State may adhere to a Union with British Indian Provinces.

(b) A State may adhere to a Union consisting exclusively of the States (subject to this scheme being approved by His Majesty's Government).

(c) A State may continue as at present in direct relationship with the Crown.

It is contemplated that Paramountcy will cease to operate in relation to the States adhering under (a) above; and the position would presumably be similar in regard to States adhering under (b) above, provided a properly constituted Union is set up and is recognised. In both these cases, however, special arrangements will have to be made, as suggested in safeguard (14) of para 11 of this report, to ensure that the "personal and dynastic affairs of the Rulers shall be settled by a special machinery in accordance with an agreed procedure". The exercise of Paramountcy in relation to the States which choose the alternative (c) above would continue as hitherto-fore, and it is assumed that these States will have to depend on the Crown for whatever protection it can afford to them under the new conditions in India;

25-43.

Conclusion Appointment of a small committee indicated.

20. This note is intended merely as a basis of discussion. The points mentioned above appear to suggest the desirability of appointing a small exploratory Committee to keep in touch with the latest developments and to complete the preparation of the case of the States for being taken up at the appropriate stage. The proposals of this Committee could be considered by the Study Circle and by such Committees of Rulers and Representatives of States as may be approved.

The questions which would inter-alia require consideration by this Committee are—

(*a*) What minimum safeguards must be urged for incorporation in the future Constitution of India for the continued integrity of the States, the continuance of the Ruling dynastics and for the legitimate development of the States and the progress of their peoples?

(*b*) What effective machinery should be proposed for implementing these safeguards?

(*c*) Should the States insist on sending representatives to any constitution-making body that may be set up for India?

(*d*) What should be the attitude of the States in regard to those items relating to the future constitution of India on which agreement may not be reached between the various parties in India or in the Constitution-making body?

(*e*) What should be the position of paramountcy in respect of the adhering and the non-adhering States in the future constitutional arrangements?

(*f*) What arrangements are required by the States to safeguard the due development of their industrial and agricultural resources and to ensure that there is no discrimination against their peoples in the future economic development and planning of India?

(*g*) What procedure should be adopted to ensure the fullest possible solidarity amongst the States on vital matters of joint concern in any future constitutional *consultations*?

(*h*) What action is required by the States (i) individually and (ii) collectively to enable them to make their full contribution towards the constitutional advancement of India and for securing their due place in the future constitutional arrangements?

(*i*) Any other points that may be suggested.

Appendix II

Tajmahal Hotel,
Bombay.

Draft summary of proceedings of the meeting of the Committee of Ministers held at Tajmahal Hotel, Bombay, on 29th April, 1945.

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1. (a) Members whose names are reproduced in Appendix A attended the meeting.

(b) In the unavoidable absence of the Chairman due to illness, Nawab Sir Ahmed Said Khan of Chhatari presided.

Item 1 (Statement by the Chairman on certain matters of routine nature).

2. The Chairman made a statement which is reproduced in Appendix B on which the following decisions were taken:-

(a) The Chairman was requested to convey to Sir Manubhai N. Mehta the best wishes of the Committee for his speedy recovery.

(b) As recommended in the Chairman's statement the latest information and relevant papers in regard to the following subjects may be circulated to the States.

(i) Levy of Excess Profits Tax and general incidence of taxation on industries in the States.

(ii) Recognition of courts in Indian States by the Crown Representative for the purposes of Section 503 of the Code of Criminal Procedure.

(iii) Supply of annual information to the Crown Department re: large industrial concerns in States.

(iv) Issue of new Capital for industrial concerns in States.

(v) Civil Aviation.

(c) A circular may be issued to the States inviting information relating to the sale of rights of alienation in land to occupancy tenants, and this question may be placed again before the Committee of Ministers with the data received from the States.

(d) Information available in the Secretariat on the following items may be circulated to members as separate memoranda on the basis of which these subjects may be discussed as supplementary items of the agenda:-

(1) Opium policy of the Government of India so far as it affects the States.

(ii) Information re:amounts paid to contractors and other non-officials by Durbars.

(iii) Levy of excise duty on all power alcohol and rectified spirit.

(iv) Proposal for construction of Customs Outpost within railway lands.

(v) Development of water and power resources of the country which pass through many Provinces and States and the promotion of regional bodies for that purpose.

3. Permission was given to the following representatives of States to attend the meeting as observers:-

1. Mr. O.P. Reddi. (Mysore).
2. Nawab Aliyavar Jung (Hyderabad).
3. Captain Dhanda (Indore.).
4. Kanwar Jaswant Singh (Bikaner).
5. Sardar Ranbir Singh (Dholpur).
6. Mr. J.L. Jobanputra (Sachin).
7. Mr. S.K. Raja (Akalkot).

Item 2 (Consideration of the recommendations of the Finance Committee of Ministers on the subject of taxation on the Industries in Indian States arising out of discussion with the representatives of the Government of India).

Item 3 (Consideration of certain matters relating to post-war planning and industrial development in India so far as they affect the States).

4. Resolved that these two items may be referred in the first instance to an informal sub-committee consisting of the following members with instructions to report by tomorrow:-

1. Mr. O.P. Reddi.
2. Raja Gyan Nath.
3. Sirdar K.M. Panikkar.
4. Sirdar H.S. Malik.
5. Mr. A.P. Pattani.

Item 4 (Consideration of the recommendations of the Finance Committee of Ministers on the budget proposals of the Government of India for the year 1945-46 in so far as they affect the States).

5. The recommendations of the Finance Committee of Ministers on this item were approved.

Item 5 (Consideration of the question regarding representation of the States on all-India Committees and Empire and International Conferences).

6. The consideration of this question was referred in the first instance to a sub-committee consisting of the following members with instructions to report by tomorrow:-

1. Raja Gyan Nath.
2. Sir Liaqat Hayat Khan.
3. Sirdar K.M. Panikkar.
4. Sardar H.S. Malik.
5. Sirdar D.K. Sen.

Item 6 (Further consideration of the question of collection charges charged by the Railway Board for income from sale of grass and grazing fees etc. from railway lands within the territories of the States).

7. It was decided that the Government of India may be addressed that the arrangements made for the realisation of incomes from the sale of grass etc. from railway lands within the territories of the States and the percentage of the gross receipts charged as collection charges should be settled in consultation with the States, and that in the event of a difference of opinion the States concerned may be taken in confidence as to the basis on which those arrangements are made and the percentages for collection charges have been assessed.

Item 7 (Consideration of the question of trade mark legislation (Dewas S.B).

8. It was decided to recommend to the States that while they may agree to necessary co-ordination relating to trade mark legislation in India provided they are consulted by the Government of India in regard to the legislation on this subject, they should not agree to the subordination of their officers to any outside agency or to making a contribution to British India of fifty per cent of all trade mark fees received by their agencies.

Item 8 (Consideration of certain questions relating to India's Sterling Balances and the position of the States).

9. It was resolved that the examination of this technical question may be referred in the first instance to the Finance Committee of States whose recommendations may be placed before the Committee of Ministers.

Item 9 (Consideration of the question of royalty for materials quarried from lands within the States by the Public Works Department of the Government of India).

10. The Committee noted that the communication under reference has been addressed only to a few States and that the practice on this question is not uniform in the States. It was decided that the digest of replies received from the States which explains the existing position within their territories may be circulated to all the States for information and such action as they may deem fit.

Item 10 (Consideration of certain items relating to the proposed Conference of the Speakers and Secretaries of the Legislatures in States).

11. The Committee was of the definite view that it is inadvisable to hold the proposed conference of Speakers and Secretaries of the Legislatures of the Indian States.

Item 11 (Consideration of certain recommendations made

by the all India States Conference on Education, Public Health, Medical Relief and Post-war Reconstruction).

12. Resolved -

(a) that the resolutions adopted at the all India States Conference on Education, Public Health and Post-war Reconstruction, may be circulated to the States, and any data received from the States relating to these resolutions may also be circulated;

(b) that the Government of India may be approached to give every possible assistance to the States -

(i) in obtaining plant and machinery;

(ii) in the matter of financial assistance and technical advice for the development of the post-war plans on such terms as may be agreed;

(iii) in the matter of facilities for technical training in India and abroad for persons with requisite qualifications from the States.

(c) that Advisory Boards of the best experts available in the States may be set up as recommended by the Post-war Reconstruction Conference.

Item 12 (Consideration of points arising out of the Report of Sir Manubhai N. Mehta on the recent meetings of the Government of India Policy Committee on Transport and of the Transport Advisory Council).

13. Resolved -

(a) that the report of Sir Manubhai N. Mehta on the recent meetings of the Government of India Policy Committee on Transport and of the Transport Advisory Council may be circulated to the States for information;

(b) that no decision on transport questions which concern the States should be taken by the Government of India without consulting the States.

30th April

Item 2: Consideration of the recommendations of the Finance Committee of Ministers on the subject of taxation on the Industries in Indian States arising out of discussion with the representatives of the Government of India.

14. The recommendations of the Sub-Committee on item 2 of the Agenda were taken into consideration and approved as reproduced in Appendix C.

Item 3: Consideration of certain matters relating to post-war planning and industrial development in India so far as they affect the States.

15. The recommendations of the Sub-Committee on item 3 of the Agenda were taken into consideration and approved as reproduced in Appendix D.

Item 5: Consideration of the question regarding representation of the States on all-India Committees and Empire and International Conferences.

16. The recommendations of the Sub-Committee on item 5 of the Agenda were approved as reproduced in Appendix E.

Supplementary item No.1: Revision of the constitution of the Tripartite Labour Organisation.

17. It was decided that the Memorandum on this item with the note received from the Hyderabad State may be circulated to the States with the request that their comments may be forwarded to the Secretariat within a fortnight so that they may be in time for the Sub-Committee set up by the Government of India to examine the revised constitution proposed for the Tripartite Labour Organisation.

Supplementary item No. 2: Opium policy of the Government of India so far as it affects the States.

18. Resolved that individual States so desiring may address the quarters concerned on any points which may be justified by their existing agreements and local conditions.

Supplementary item No. 3: Information re: amounts paid to contractors and other non-officials by Darbars.

19. Resolved that it may be recommended to the States concerned that they may supply the desired

information to the officers of the Government of India on a basis of strict reciprocity.

Supplementary item No. 4: Levy of Excise Duty on all power alcohol and rectified spirit.

20. Resolved that no further action need be taken on this question.

Supplementary item No. 5: Proposal for construction of Customs Outpost within railway lands.

21. Resolved that the State concerned may be informed that if the terms of cession of the railway lands within its territories permit of a customs outpost being set up by the State in the railway area it may do so, otherwise while the State may shift the customs outpost to a convenient site near the goods-shed it does not seem permissible to locate it inside the railway area.

Supplementary item No. 6: Development of water and power resources of the country which pass through many Provinces and States and the promotion of regional bodies for that purpose.

22. It was decided to refer the examination of this question in the first instance to an early meeting of the Legal Committee of the States to which representatives of the States which have important riparian interests may be invited.

23. A vote of thanks to the Chairman, proposed by Sardar K.M. Panikkar, was unanimously carried.

Appendix III

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Report of the Sub-Committee on item 2 of the Agenda of the Committee of Ministers.

The Sub-Committee gave careful consideration to the formula reproduced in Appendix A to the Memorandum on this item, and while generally agreeing with the spirit of that formula, wish to invite particular consideration of the following points:-

(a) The Sub-Committee considers that it would be impossible for all the States to approximate their incidence of taxation to the levels obtaining in British India within a period of 3 years or any such short period and that it would be totally unreasonable to ask them to do so in view of the following reasons:-

(i) It has taken British India many years to attain a stage of industrial and commercial development which can stand the existing incidence of taxation. The States generally are comparatively undeveloped both industrially and commercially and cannot be expected to make up within the short period of 3 years the very considerable leeway in this matter.

(ii) It is essential that if a balanced industrial plan for the whole of India is to be achieved in accordance with the declared intentions of the Government of India then sufficient time must be given to such States as are industrially backward to adjust their fiscal policies and such conditions created as may enable the States to make up the leeway in industrial progress.

(b) The words "as soon as the level of industrial taxation approximates" at the end of proviso (v) to the formula at Appendix A should be deleted.

f.

Recommendations of the Sub-Committee on item 3 of the Agenda of the Committee of Ministers.

(a) The Government of India may be requested to implement without further delay the suggestions made on behalf of the States at the discussion which took place on the 23rd October, 1944 in regard to the All-India policy of industrial development and post-war planning so far as they concern the States.

(b) (i) The Committee of Ministers may ~~endorse the~~ note that a protest lodged on behalf of the States at the discussion held on the 26th and 27th January 1945 with the representatives of the Government of India against the decision to make industrial and commercial concerns in the States liable to British Indian taxation on profits arising out of contracts with the departments of the Government of India.

(has already been)

(ii) In view ~~however~~ of the position in which the States are placed, the alternative formula evolved at the discussion held on the 26th and 27th January 1945, which is reproduced in paragraph 10 of Appendix C to the Memorandum may be recommended to the States for acceptance.

Raja Gyan Nath, Prime Minister of Indore suggests the substitution of the following sub-clause for (ii) above:-

"The Committee of Ministers may recommend that the Government of India may be approached to reconsider the position in view of the fact that the war situation has now been materially altered since the formula was originally enunciated and it would destroy confidence amongst industrial and commercial classes in the States and disturb the existing arrangements if the taxation at British Indian level is suddenly imposed particularly in the case of States where industries are engaged in war contracts to a very great extent. In the meantime, no commitment may be made by the Committee of Ministers on this matter of vital importance to the States unless the proposed formula has been circulated to all the States and their comments considered by the Committee of Ministers."

(New 2)

(c) The recommendations of the Finance Committee on the Bombay Plan which are reproduced in paragraph 4 of the Memorandum may be endorsed.

(d) The detailed examination of the latest statement of the Government of India in regard to the future policy for the Industrial development of India may be referred to an early joint meeting of the Finance and Industries Committees of the States. In the meantime, it may be urged that the States must have adequate voice in the formulation and implementation of all policies which may affect them or with which their co-operation is desired.

Appendix IV

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List of Rulers and Representatives who are expected to attend the Conference on the 1st and 2nd May, 1945.

Name	Date of arrival	Address in Bombay
1. H.H. Bhopal	1st May	Tajmahal Hotel
2. H.H. Nawanagar	1st May	Tajmahal Hotel
3. H.H. Bikaner	Arrived	Bikaner House
4. H.H. Patiala	1st May	Patiala Pavilion
5. H.H. Dholpur	2nd May	Tajmahal Hotel
6. H.H. Dungarpur	1st May	Tajmahal Hotel
7. H.H. Palanpur	30th April	Tajmahal Hotel
8. H.H. Porbandar	28th April	Tajmahal Hotel
H.H. Nabha will also attend.		
1. Nawab Sahib of Chhattari	29th April	Nizam's Palace
2. Sir C.P. Ramaswami Iyer	1st May	Tajmahal Hotel
3. Sir Mirza Ismail	1st May	Tajmahal Hotel
4. Sir T. Vijaraghavachari		
5. Sir Liaqat Hyat Khan	Arrived	Majestic Hotel
6. Sirdar K.M. Panikkar	Arrived	Cricket Club of India
7. Sir Ganga Kaula	Arrived	Tajmahal Hotel
8. Sirdar D.K. Sen	Arrived	Tajmahal Hotel
9. Mr. H.S. Malik	Arrived	Tajmahal Hotel
10. R.B., Pdt. A.N. Atal	Arrived	Tajmahal Hotel
11. Mr. B.H. Zaidi	1st May	Tajmahal Hotel
12. Mr. O. Pulla Reddi	Arrived	Tajmahal Hotel
13. Sirdar Mir Maqbool Mahmood	Arrived	Tajmahal Hotel

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CONFIDENTIAL
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AGENDA

AND

Memoranda Explanatory

OF THE

Agenda of the Meeting

OF THE

COMMITTEE OF MINISTERS

o be held at Gwalior from 22nd to 24th April, 1945.

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Agenda for the meeting of the Committee of Ministers to be held in Gwalior from 22nd to 24th April, 1945.

1. Statement by the Chairman on certain matters of routine nature.
2. Consideration of the recommendations of the Finance Committee of Ministers on the subject of taxation on the Industries in Indian States arising out of discussion with the representatives of the Government of India.
3. Consideration of certain matters relating to post-war planning and industrial development in India so far as they affect the States.
4. Consideration of the recommendations of the Finance Committee of Ministers on the budget proposals of the Government of India for the year 1945-46 in so far as they affect the States.
5. Consideration of the question regarding representation of the States on all-India Committees and Empire and International Conferences.
6. Further consideration of the question of collection charges charged by the Railway Board for income from sale of grass and grazing fees etc. from railway lands within the territories of the States.
7. Consideration of the question of Trade Mark legislation (Dewas S. B.)
8. Consideration of certain questions relating to India's Sterling Balances and the position of the States.
9. Consideration of the question of royalty for materials quarried from railway lands within the States by the Public Works Department of the Government of India.
10. Consideration of certain items relating to the proposed Conference of the Speakers and Secretaries of the Legislatures in States.
11. Consideration of certain recommendations made by the all India States Conference on Education, Public Health, Medical Relief and Post-War Reconstruction.
12. Consideration of points arising out of the Report of Sir Manubhai N. Mehta on the recent meetings of the Government of India Policy Committee on Transport and of the Transport Advisory Council.
13. Any additional items which may be proposed by Members.

37. 55

Secretariat of the Committee of Ministers (Chamber of Princes.)

COUNCIL HOUSE,
NEW DELHI.
16th April, 1945.

Dear Sir,

I am desired to invite attention to the Memoranda on the following items of the agenda of the next meeting of the Committee of Ministers which have already been circulated to the States :—

(*a*) *Item 2* – Recommendations of the Finance Committee in regard to taxation on the Industries in the States.

(*b*) *Item 3* – Consideration of certain matters relating to post-war plannig and industrial development so far as they affect the States.

2. You are requested to suggest any points concerning your State on these items which are desired to be brought to the notice of the Committee of Ministers, when these items are considered. Your attention is also invited to the position emerging from the discussions on these items with the representatives of the Government of India, as summarised in these memoranda. Your reply is requested within a fortnight and may kindly be addressed to me at the Tajmahal Hotel Bombay where the Committee of Ministers will be meeting in the end of this month.

Yours sincerely,

MAQBOOL MAHMOOD,
Secretary Committee of Ministers.

38.56

CHAMBER OF PRINCES (NARENDRA MANDAL.)

CONFIDENTIAL.
URGENT.

COUNCIL HOUSE,
NEW DELHI.
14th April, 1945.

Subject:—Working in the States of All-India policies under Ordinances, Controls etc.

Dear Sir,

I am desired to invite attention to my confidential circular No. 131 dated 28th December, 1944 on the above subject (copy enclosed for facility of reference). Your reply is requested within 12 days and may kindly be addressed at the Tajmahal Hotel, Bombay.

Yours sincerely,

MAQBOOL MAHMOOD,
Secretary to H. H. the Chancellor,
Chamber of Princes.

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(COPY.)

CONFIDENTIAL.
URGENT.

COUNCIL HOUSE,
NEW DELHI.
28th December, 1944.

Circular No. 131.

Subject:—Working in the States of all-India Policies under Ordinances, Controls etc.

Dear Sir,

Various States have invited attention to the fact that, though they have offered and given every possible cooperation in the carrying out of all-India Policies under Ordinances and Controls etc. which were necessary in the interests of war effort, the manner in which these Ordinances and Controls have been worked, has in many cases ignored the legitimate rights and wishes of the States and have led to great inconvenience. This question has been referred for examination in the first instance, to the Drafting Committee and the Committee of Ministers. In this connection, I am desired to request you in confidence for any data or information concerning your State which may be of assistance in the consideration of this question by these Committees.

A very early reply is requested.

Yours sincerely,

MAQBOOL MAHMOOD,
Secretary to H. H. the Chancellor,
Chamber of Princes.

(2)

MEMORANDUM EXPLANATORY.

Consideration of the recommendations of the Finance Committee of Ministers on the subject of taxation on the Industries in Indian States arising out of discussion with the representatives of the Government of India.

The representatives of the States which recently met the representatives of the Government of India to discuss certain questions relating to Industrial Development in the States, prepared a note as a basis of discussion on this subject. This note is reproduced as Appendix A. The note of Mr. Ghulam Mohammed in the amplification of this note is reproduced as Appendix B.

2. The aforesaid two notes were discussed at the last meeting of the Finance Committee of Ministers. The discussion in Committee elicited that there were two aspects of the question for immediate consideration, *viz* :—

(*a*) the formula of raising the industrial taxation level in the States;

(*b*) the setting up of machinery for settlement of economic disputes in this connection.

On (*a*) above, the Committee felt that a stage had been reached when the States should in their own interest take necessary action to raise the industrial taxation level in their territories. It was pointed out that pressure was put on the Government of India by British Indian industrialists and the Government of India felt that the States were having an unfair advantage in this matter. In order, therefore, to obviate measures taken by the Government of India to counter this alleged advantage, the States should take immediate action. Accordingly, the States' representatives had recommended what in their view would be the best possible measures the States may take at the present juncture. These recommendations would be submitted first to the Committee of Ministers for consideration and thereafter placed before the Standing Committee or the Special Committee of Rulers.

Mr. Ghulam Mohammad explained that the States' representatives had made it clear to the Government of India representatives that any agreement reached on this question could apply only to industrial profits and not to other incomes. It had also been pointed out that States had several other taxes like internal customs, excise, etc., not obtaining in British India and, therefore, it would not be possible for the States to adopt identical systems of taxation as in British India.

As regards (b) above, the Committee noted that it was essential that an authoritative body like the Tariff Board, on which the States would be represented, should be set up to which references may be made in the case of specific economic disputes.

With reference to paragraph 12 of the explanatory memorandum by Mr. Ghulam Mohammad, the Committee noted that "the taxes on industries, direct and indirect", referred to in the first sentence, meant only the quantum or the total incidence of taxation in-as-much as the form and system of taxation in the States may differ according to local conditions and practice. The States would retain the right to choose the forms of taxation best suited to them, although it is accepted that there should be no material disparity in the quantum or the incidence of taxation on industries between British India and the States.

After full consideration of the draft note, the Committee resolved that—

(*a*) in the opinion of this Committee, the proposals in the draft note represent a fair and equitable solution of the problem which, in their own interest, the States should accept.

industrial development should be effected in the best interests of the country as a whole and ensure fair treatment to all units and their people. The fear that the States may be left behind and not receive as fair a treatment as units of British India should be allayed by the provision for special assistance to industrially backward areas. The nature of such special assistance will be fairly determined only if States find effective voice in the 'authorities' and 'bodies' set up to examine and settle such questions.

11. Paragraph 2, enunciates that in the existing circumstances the States no less than British India must retain the freedom to determine the form and quantum of taxes on industries within their territories. In the existing constitutional position, the enunciation of this principle is considered essential as Indian States could not admit the right of British India to determine the form or quantum of taxation on industries in their territories, nor would it be fair to do so as States must be the sole judges in these matters of what should be done in their territories and could not allow any authority outside the States to interfere in these matters nor power could be given to Indian Legislature howsoever indirectly to determine the quantum and form of taxation which would necessarily be copied by Indian States. Indian States have no voice in this Legislature nor in the reaching of decisions in these matters in respect of British India.

12. While safeguarding the constitutional position and rights of States it is suggested in this paragraph that the incidence of taxes on industries direct and indirect in British India and Indian States should in a period of three years or such other short period as the Standing Committee may suggest be such as not to give unfair advantage through material disparity in incidence of such taxation to an industry in any State over similar industries in British India or *vice versa*. This is the kernel of the proposals. While it is admitted indirectly that large divergence in levels of taxation on industries would but for other factors such as existence of natural resources or acquired advantages in the past, lead to unfair competition between British India and Indian States, it is suggested that within a reasonable period of time any material disparity in the incidence of such taxation which gives unfair advantage to one party or the other should be avoided. In other words, the incidence of taxation on industries in Indian States should within this period approximate to the incidence of similar taxation in British India. It is significant that what is aimed at is that the incidence of taxation should approximate and not that the form of taxation should be identical. The incidence of various existing taxes direct and indirect in Indian States would be taken into account in determining whether the levels of taxation approximate to each other or not and whether they give any undue advantage. The arrangement is not onesided as the possibility of British India manipulating their system of taxation to the deteriment of industries in States is also guarded against, the aim being to avoid an economic drive through manipulation of taxation to the deteriment of the planned economy of the future. Natural advantages in the matter of raw materials, labour, geographical position or acquired advantages through the nursing of industries in the past in certain areas would be taken into account in determining whether any unfair advantage is being taken by any unit over other units. While the desire is to kill artificial stimulation of industry, the utilisation of natural resources to the best economic advantage of the country is encouraged.

13. It is suggested that the approximation of levels of taxation in the above manner should be reached within a period of three years or such other short period as the Standing Committee may suggest. The continuance of the existing conditions is undesirable and if the process of approximation does not take place within a limited and short period, it is feared that the present uncertain conditions would continue and prejudicially affect the economic development in the States. With the exercise of existing controls and forging of new ones by British India and with the political and administrative advantages which British India because of its position enjoys, it would be freely admitted that States should find a strong motive for reaching an early and satisfactory agreement which safeguards their constitutional rights and future economic development of their territories and the well-being of their people.

63-45.

14. It would be difficult for States to remain unaffected by the general desire for planned economy and stimulation of industries as one of the main steps for planning the progress of India as a whole in the post-war period. Indeed, the general Conference of representatives of States in regard to post-war reconstruction have stated that they are glad to know that the question as to how far the States can accept the main objective of the Bombay Plan in respect of raising the per capita income and the standard of living of the people in the country is under examination by a Sub-Committee of Ministers. Whatever may be the conclusions reached by the Ministers and the Rulers of Indian States as a result of such examination by Ministers, it should be stated that the States are generally in sympathy with the idea of a planned economy and share the desire of British India that such planned economy should aim at raising the standard of life of people and better development of the natural and economic resources of the various units. For these reasons, it would be in the interests of States to remove the one important obstacle in the way of common understanding between Indian States and British India by entering into a compromise which safeguards their position and ensures the development of their territories unhindered by any fear of unfair competition or exercise of controls directly or indirectly by British India in the framing of which they have had no voice.

15. This paragraph further gives ample time to Indian States to study their existing fiscal system in the light of the requirements of the post-war period and to adjust these to new conditions. The States shall be the sole judges of the form of taxation to be levied. The essential objective to be reached within a given period is that the incidence of such taxation should approximate to that in British India. The States shall retain complete independence in determining the form and measures of taxation and to vary these.

16. The formula contained in paragraph 2 is further qualified by five conditions which are considered essential in the interests of States so as to secure for them the continuance of those conditions which are considered essential for unhindered development of their own resources and to allay their fears that no advantage would be taken of their backward position, but that special facilities would be made available to them so that they could in course of time march on the path of progress and stand at as high a level as British India.

17. Sub-clause (*i*) provides against any discrimination against States in the matter of establishing industries. It recognises that the States are generally backward in industrial development and should therefore be assured of special assistance from the Tariff Board or any other authority that may ultimately be set up. Such special assistance is to continue till the States reach the same level of industrial progress as British India. Sir Ardeshir Dalal, Member of the Government of India in charge of planning and Development, stated at the meeting of the General Policy Committee on Indusrtries, held in Bombay in October 1944, as follows:—

> "The Government of India are contemplating liberalisation of the existing protection policy and the elimination of some of the conditions attaching to the grant of protection to industries. They are also contemplating a permanent Tariff Board. A suggestion for consideration is the creation of a permanent Board on a very high level which would deal not only with question of protection to industries, but also with all questions of industrial development, licensing of factories, etc. in the post-war period. The Provinces and States would, of course, have to be represented on a body like that".

It is aimed that the assurance given above by the Hon'ble Member should be confirmed by the Central Government and the Crown Representative. Industrial development in a system of planned economy cannot always be allowed to follow political barriers and plans have to be drawn on a regional basis so as to be of the maximum benefit to all the areas concerned. Nature has not lavished its gifts in mineral and natural resources on the basis of political boundaries and as economic and industrial development aims at maximum effort for exploiting natural resources, a common understanding between regions is essential where such exploitation would

APPENDIX B.

NOTE by Mr. Ghulam Mohammad in amplification of the note on the question of raising the taxation level in Indian States.

The attached memorandum contains view of the representatives of the Chamber of Princes (names mentioned in the margin) who entered into certain discussions with representatives of the Government of India in regard to the levels of taxation in Indian States as compared with those in British India and their effect on planned industrial policy in the future.

Sir Joseph Bhore, K.C.S.I., K.C.I.E., Bhopal.
Sir Manubhai Mehta, K.C.I.E., Gwalior.
Mir. Maqbool Mahmood, Secretary to H.H. the Chancellor.
Mr. Ghulam Mohammad C.I.E., Finance Member, Hyderabad, Dn.

2. The question of short-range policy covering the period of present emergency in the matter of liability of profits accruing to subjects of Indian States out of orders placed by depts. of the Government of India has been discussed on more than one occasion with representatives of the Government of India. The conclusions reached and the recommendations that the representatives mentioned above are prepared to make to the States form the subject of a separate note. These conclusions are not referred to in this note, the object of which is to explain the provisions of the attached memorandum which aims at finding a solution of the situation that has arisen in the matter of long-range post-war policy regarding levels of taxation.

3. It is necessary to make a few general observations before the clauses of the attached memorandum are explained. The situation created by the War has led to the exercise of far-reaching controls in the economic field by the Central Government. Consciousness has grown both in British India and in Indian States that planned economy should be attempted as the best means for the development of the country and utilisation of its material resources. Central Government have complained that the large variations in the incidence of taxation on commercial and industrial profits provides an incentive to industrial capital and effort to flow from British India to Indian States and evasion from taxation of such profits as arises out of orders placed by departments of the Government of India in Indian States. While a temporary solution for the period of the present emergency has been discussed and worked out, the question of long-range policy in this matter and removal of fears and suspicions on both sides still remain to be solved.

4. The case of British India briefly is that taxation on industrial and commercial profits in Indian States is generally lower than that in British India and the variations in many cases are very large. Planned economy necessarily implies controls in the economic field specially in the matter of location of industry. The existence of large diversities in the level of taxation hampers balanced economic development. It would be recognised both by British India and the Indian States that planned economy is essential for the future and that such planned economy necessarily implies consideration of economic questions on regional basis so that political barriers do not in any way hamper utilisation of material resources to the best advantage of the country as a whole. British India is anxious that taxation on industries in Indian States should approximate to the levels of taxation in British India so that any artificial incentives may not influence the flow of capital from British India to Indian States, to the detriment of British India both from the point of view of economic development and revenues arising out of industry.

5. Indian States have taken their stand on their right to determine the form and quantum of taxes on industries within their territories. They have pleaded that Indian States are industrially backward and if the intention is that in the Post-war period all units in India including Indian States should make maximum effort to develop their material resources, they press for special consideration so that the leeway which Indian States have to make is effected. They hold that during the period of the War or in the pre-war period, the diversion of industries from

British India to Indian States has not been of such magnitude as to warrant any fear for the future. They have also pleaded that the entire system of taxation in Indian States and not only the rates of direct taxation should be taken into account in comparing incidence of taxation in Indian States with that in British India. Social, economic, administrative and political conditions in Indian States differ materially from that in British India and could not be ignored in any consideration of this question.

6. The Indian States also fear that in the Post-war period their economic development may be prejudicially affected by the continuance of existing controls and imposition of new ones and they have claimed an effective voice in shaping policy in the Post-war period in regard to continuance and imposition of controls, location of industry and planing of industrial development as a whole. They desire to be associated with all bodies set up to determine the nature of these controls and charged with the framing of policy in economic matters of common concern as also in the bodies and authorities set up to give effect to such decisions and policies. They fear that in the economic field some sort of federation is being attempted in which they may not have any effective control.

7. The Memorandum attached represents conclusions reached after careful thought and long consideration of the conflicting points of view and aims at presenting a fair and equitable solution of the problems. These are suggested as a compromise in the larger interests of the country as it is felt that by co-operation and co-ordination and better understanding alone, the economic interests of India as a whole would be advanced. The recommendations are based on the fundamental concept that planned economy would be impossible to attempt without a large measure of co-ordination between British India and Indian States and between various units in the country. Mutual trust and confidence based on mutual discussions and grant of effective voice to all concerned in the framing and execution of the policies involved and reference to arbitration where any of the parties feel that unfair advantage is being taken by one or the other of the units, form the basis of these recommendations.

8. It is felt that the existence of the present differences of opinion would hinder the economic progress of the country and in the larger interests of India and of development of various units, it is essential that a fair and equitable solution of the problems should be reached.

9. The authors of the Memorandum claim that the proposals contained therein represent a serious attempt at a compromise of the conflicting views and they are encouraged to present these for serious consideration as a formula which in their opinion should go a long way to ensure the creation of suitable atmosphere and conditions which would lead to combined effort for the economic development of the country in the larger interests of India.

10. In subsequent paragraphs, the various clauses of the Memorandum are commented on:

The first paragraph mentions three propositions which are regarded as fundamental and essential, viz:

(a) States generally agree that there should be planned industrial development of India in the best interests of the country as a whole;

(b) Such development should ensure fair treatment to all units and their peoples;

(c) Planned industrial development should ensure special assistance to industrially backward areas. The States being industrially backward naturally look forward to special assistance in the matter of industrial development so that they do not remain back in the race and an unbalanced economic development does not arise.

Agreement on the three propositions is essential both in the interests of British India and Indian States. The States will be taking a wise and statesmanlike view in agreeing to this proposition that planned

not be proceeded with without common agreement. Typical instances relate to large-scale irrigation and hydroelectric power.

18. Sub-clause (*ii*) seeks the further assurance for the States that their agreement to approximate levels of taxation in States to that in British India will not prevent them from adopting measures covered by the policy already adopted by the Government of India which was recommended by the Tariff Commission for giving aid to nascent industries. Without entering into the details of the various measures suggested by the Tariff Commission, it would be sufficient for the purpose of this note to state that they cover measures on a wide range. The Government of India, having accepted these recommendations and given effect to them in the case of industries in British India, could not legitimately object to the adoption of similar measures by Indian States in the interests of their industrial progress. Sir Ardeshir Dalal in his speech referred to in paragraph 17 above, has hinted at the establishment of a Tariff Board on a high level which will be charged with similar functions. Any measures of protection for fostering nascent industries which are recommended by this new Tariff Board on which Indian States would find representation should be applicable equally to the Indian States.

19. Sub-clause (*iii*) stipulates that States should be given adequate representation on the proposed Tariff Board or any other bodies set up to determine location of industry or any other broad question of policy affecting welfare of industries. The acceptance of this condition would ensure an effective voice for the States in shaping policies in these matters which they would be required to implement within their territories. Further stipulation is made that the principle and policy of controlling the location of industry would apply to the States only after they have been mutually agreed between British India and the States. The power to determine location of industry could be used against the States or in such manner as to hinder industrial progress of the States or to give unfair advantage to British India. This would require detailed and careful study, as power to determine the location of industries in Indian States could not be given to a body set up by British India in which the States do not have any effective voice so as to adequately protect the interests of their own people and States should press at such negotiations whenever they eventuate that location of industry should be determined on the basis of natural advantages and should take due cognizance of existing advantages acquired through past effort.

20. Clause (*iv*) postulates that cases of alleged unfair advantage due to variations in incidence of industrial taxation could be referred by British India or Indian States to an impartial tribunal whose decision shall be final and binding on both parties. This safeguard is considered essential and follows the general line adopted by the Chamber of Princes in the matter of reference to an impartial Tribunal questions in disputes between Indian States on the one hand and British India on the other. This condition if accepted should allay fears and give the States a new confidence in entering into these arrangements.

21. Clause (*v*) states that as soon as the level of industrial taxation in a State approximates to the level in British India, the restrictions on the flow of capital from British India to Indian States and *vice versa* shall be removed by British India and the States. Due to the conditions created by the war, British India imposed certain restrictions to protect their own interests. Some States have also taken similar steps to safeguard their interests. This policy naturally conflicts with the essential requirements of a planned economy for the future and as soon as the causes that led to the imposition of these restrictions disappear, its continuance by either side would be un-justified. If States agree to approximating their incidence of industrial taxation in their territories to that in British India, the benefit of attracting capital from British India to the States which are backward should be made available to them. The conditions that should emerge if the suggested agreement is reached on the lines indicated in this note, should make it unnecessary for either party to continue these restrictions.

22. This note has been prepared for the consideration of Members of the Finance Committee and Committee of Ministers. It could usefully be abridged when it is decided to present it to Their Highness.

Subject:- No. 2, for consideration at the Meeting of the Committee of Ministers on 29th and 30th April 1945, regarding "Taxation on the Industries in Indian States."

There is a feeling on the part of the Government of India that there are large variations in the incidence of taxation between the Indian States and British India, with the result that this is acting as an incentive to industrial capital to flow from British India to Indian States, that it also results in evasion from taxation of industrial profits that arise out of orders placed by Departments of the Government of India in Indian States.

A. - (File No I)

A communication had recently been received from the Residency in connection with the issue of capital in British India on the part of a Film Company that had been registered in Mysore. The Government of India stated in this connection that they are prepared to grant consent for the issue of capital by the company in British India if the Government of Mysore agree to introduce the Excess Profits Tax substantially equal to the British Indian scale or in the alternative, recover from the Company annually an amount equivalent to the full assessment of the excess profits tax and (2) to give an assurance that the Government of Mysore will not grant the Company any immunity from State tax. A reply was sent to the Government of India that the Government of Mysore are fully co-operating with the Central Government in the adoption of the various measures suggested to combat inflation. They

.....

were informed that the rates of income-tax have been recently increased substantially and that excise duties have been levied so as to keep in conformity as far as possible, with conditions in British India. As regards the question of introducing the levy of Excess Profits Tax, it was stated that the question was under consideration. The Government of India were informed that in view of these things, the disposal of the application by the Company need not be linked up with the question of imposition of taxation in the State, and that it might be dealt with on its own merits. The connected papers are put up.

Capital issues to Pay Income tax, Corporation tax etc in Bangalore

As regards evasion from taxation of commercial profits that arise out of orders placed by the Departments of the Government of India in Indian States, it may be stated that the Government of India have issued a circular to the effect that all payments of bills against contracts entered into after August 1943 could only be made by a cheque on a Treasury or a Branch of the Reserve Bank in British India. In order to overcome this difficulty, instructions have been issued to all Government Industrial concerns to insist on payments being made within the State. At the same time, our officers have been instructed to satisfy themselves that the Mysore portion of the tax is duly recovered from the private firms and individuals making supplies. The connected file relating to this is also put up.

F (File II)

M

A communication had been received in October 1944 from the Secretary of the Chamber of Princes in the matter of the levy of Excess Profits Tax in Indian States and also re: the general incidence of income-tax and surcharge taxes in the State. The Commissioner of Incometax who was consulted in the matter is of opinion that when the time comes for.....

U (File III)

levy of Excess Profits Tax in the State, the question of giving relief in certain instances from double taxation will have to be considered. The only point at issue in this case arises only in respect of companies with headquarters in British India and branches in Mysore. In these cases, some relief is required, but this is a matter for British India to take action. The relevant file is linked.

—

The above note explains the position as at present exists. The note covers generally the points raised in Appendix "A".

Regarding the planned industrial development of India in the best interest of the country, it may be submitted that we have got our programme and in rendering special assistance to industrially backward area, States like Mysore do not suffer.

Regarding taxation, kind reference is invited to our reply to the Residency - Flag "I" - wherein we have stated specifically that every effort is being made by this Government to fall in line with the British Government as far as possible. It has since been resolved also that Excess Profits Tax has to be levied.

As far as Income-tax is concerned, reciprocity arrangements already exist.

(Vide pages 95-97 of the Income-Tax Manual)
(Copy put up)

B
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(3)

MEMORANDUM EXPLANATORY.

Consideration of certain matters relating to post-war planning and industrial development in India so far as they affect the States.

The Committee of Ministers at its last meeting held in Hyderabad considered the Report of the representatives of the States to His Highness the Chancellor in regard to discussion on industrial development and post-war planning held with the representatives of the Government of India on 23rd October, 1944. The recommendations of the Committee of Ministers are reproduced in Appendix A. Action on these recommendations has already been taken.

2. In the meantime, the final copy of the minutes of the discussion held on 23rd October, 1944 has been received from the Political Secretary and is reproduced in Appendix B. These minutes embody certain alterations in the original draft which were suggested by the representatives of the States, three additions proposed by the States' representatives have however been rejected but the Political Secretary has agreed to place them on record. These three additions are—

(1) at the end of sub-para (A) of paragraph 2 of the minutes (Appendix B.):—

> "It was understood that under both these alternatives due consideration shall be given to such taxes, if any, to which the concerns in the States may be liable which had no counter-part in British India."

(2) at the end of sub-para (*ii*) under (C) of paragraph 2 of Appendix B:—

> "The points urged by the States' representatives in regard to these matters are summarised in Appendix A. They undertook to report the whole position to His Highness the Chancellor for consideration by the Chamber of Princes and the States.

(3) at the end of sub-para (c) of paragraph 4 of Appendix B:—

> "The States'' Representatives requested that the detailed proposals of the Government of India in regard to proposed controls should be made available to the States before final decisions are taken, to enable them to consider the proposals carefully and express their views which should be given the fullest consideration. The Hon'ble Member said that details had not been worked out yet and that they will be communicated to the States when ready."

3. Another Conference was called by the Government of India on 26th January 1945 to discuss the question of liability to British Indian taxation of profits from contracts entered into by Central Government Departments with suppliers in Indian States. The minutes of this discussion as so far agreed after much correspondence and discussion are reproduced in Appendix C.

4. The Finance Committee of Ministers which met recently in Delhi inter-alia considered parts I and II of the Bombay Plan. The recommendations of the Committee are reproduced below:—

(*a*) in the opinion of this Committee economic planning necessarily implies the existence of an efficient administration and provision for suitable technical staff qualified to deal with economic and industrial matters;

(*b*) it would be to the advantage of the States generally to co-operate with the Government of India in matters relating to the raising of the standard of living of their people with the rest of the country, while claiming an effective share in

bodies and authorities set up to determine questions of policy to exercise controls and generally to implement policy so decided upon retaining the administration of these measures in the States to themselves;

(*c*) the major States should appoint a Special Officer and Staff for study and accelerated realisation of the all-round prosperity and development which is the main objective. In this connection, such States as may so desire, may consider the recommendation in paragraph 47 of Part II of the Bombay Plan for setting up an Economic Civil Service in their territories.

Note:—The Finance Committee also realise that in the initial stages some of the social and economic measures inherent in the schemes are likely to court disfavour of public opinion in the States concerned owing to the prevailing conditions, but such difficulties were not of an insurmountable nature. The States have an advantage over British India in this matter in so far as the prestige and position of the Rulers, if directed fully towards the economic planning of their territories and of the life of their people, would touch a more responsive chord and create less difficulties.

5. Sir Stafford Cripps emphasised on the States' Delegation when they met him in India the need of closer co-operation between the States in matters of common economic interest so that they are not left behind British India and may pull their full weight in the industrial development of India as a whole. The Drafting Committee had recommended that a detailed examination of this question may be referred in the first instance to a Special Planning Committee to work out concrete proposals. In view of the difficulties of securing suitable personnel the Planning Committee has not so far been appointed though much correspondence has taken place on the subject. The matter is now under action consideration in the meantime, the question of possible economic coordination amongst the States has again been emphasised by the possibilities of post-war developments in India. There are certain big industries which would require a single unit for the whole of India; there are others which would require various units. The States can get their due share in these developments through co-ordination to the fullest extent possible. The possibilities and the lines of such coordination deserve early examination for which advice of the committee of Ministers is invited.

APPENDIX A.

It was decided:—

(*a*) that while recording their appreciation of the manner in which the representatives of the States had presented the point of view of the States at the discussion with the representatives of the Government of India on 23rd October, 1944, the Committee endorsed the suggestions made in their report. It was further desired that as soon as possible a copy of the report may be circulated to the States.

(*b*) that His Highness the Chancellor may be requested to address the quarters concerned in respect of the following points in particular:—

(*i*) allotment to the States of their quota of whatever machinery and plant is available to India in the duration of the war and in the Post-war period.

(*ii*) The representatives of the States may be included in the Industrial Mission which is proceeding shortly, and in the Agency for the purchase of plant and machinery which is proposed to be set up in England and America. Otherwise, facilities may be sought for a separate Industrial mission and separate purchasing agency on behalf of the States on the same lines as were accorded to similar bodies relating to British India.

(*iii*) A standing quasi-judicial body may be set up for the settlement of all outstanding questions of industrial disputes between British India and the States which cannot be settled by negotiation and agreement.

(*iv*) Applications for import facilities for machinery and capital issues from the States, as also all disputes relating to industrial matters between British India and the States which cannot be settled by negotiation and agreement, should be dealt with by an impartial quasi-judicial tribunal. In disposing of such applications, the tribunal shall give a hearing to all interested parties or Governments, including the Government of India. Other details of this machinery may be settled in consultation with the representatives of the States.

APPENDIX B.

The Advance Memorandum forwarded by His Highness the Chancellor of the Chamber of Princes to the Political Department formed the basis of the discussion between H. M. Finance and the States Representatives on questions of industrial development and the administration of certain existing control orders.

2. The following is a brief summary of the principal points mentioned with the conclusions arrived at:—

(A) *Control of Capital Issues.*

(*i*) It was decided to resume discussion of the proposal contained in paragraph 3 (a) of the Advance Memorandum with the Standing Committee of the Chamber of Princes after the Examiner of Capital Issues had supplied a statement showing the total number of applications received from companies or undertakings registered in Indian States during the period 1st April 1944 to 30th September 1944 and the number of these applications (with brief reasons in each case) which had been rejected.

(*ii*) It was agreed – at the request of the States representatives – that when a Company or undertaking, registered in British India, makes an application to raise capital in British India with the declared intention of using part, or all, of the capital so raised for the setting up of an industrial establishment in an Indian State, the concurrence of the State concerned, if the Central Government considered the proposal to be on other grounds unobjectionable, should be sought by the Examiner of Capital Issues through the Political Department.

(*iii*) Hon'ble Member Finance and Political Adviser agreed to consider the States Representatives' request that for the duration of the war whenever the Central Government's consent to the raising of capital in British India by a company or undertaking registered in an Indian State remains contingent, after other considerations have been taken into account, only on the adequacy of the fiscal arrangements existing in the State concerned, the latter should invariably be given the alternatives of guaranteeing:–

(*a*) *Either* that sums equivalent to a full assessment on the Company's profits etc. by way of income tax, supertax and excess profits tax at British Indian levels shall be recovered from it and invested in Government of India War Loan,

(*b*) *or* that income tax, supertax and excess profits tax shall be imposed on the Company etc. at rates substantially equal to those prevailing in British India.

(B) *Liability to British Indian income tax, supertax and excess profits tax of firms and contractors registered in Indian States on profits accruing from supplies made to Departments of the Central Government.*

Hon'ble Member Finance stated that the Central Government could not agree to refrain from imposing taxation, with the limits of their legal powers, on the profits accruing in their jurisdiction to non-resident firms and contractors fulfilling orders for their various Departments. He agreed however that contracts with States as such or with State-owned concerns should be exempt and should not be made liable to the provisions of the Government Trading Taxation Act. With reference to the revised form of Central Government contracts which provides *inter alia* for deliveries of supplies and payments to be made in British India, Hon'ble Member Finance undertook to review the position in respect of old established firms in Indian States which had contracts with the Central Government and whose customary trade practice was to deliver their goods ex-factory or at the nearest Railway Station in State territory. The State Representatives for their part agreed to co-operate fully with the Central Government in preventing British Indian residents from transferring their financial interests to Indian States merely for the purpose of avoiding taxation,

(C) *Political Secretary's letter No. F. 62 (2)-IB/44 dated the 28th of June 1944.*

(*i*) The States Representatives wished it to go on record that they were unable to agree with the propositions stated in this letter or to accept all its implications. They added, however, that war conditions had introduced a factor which in certain circumstances might call for a temporary acquiescence in action to which they would not otherwise agree.

(*ii*) Hon'ble Member, Finance, in a general statement on the subject of the fiscal relationship between British India, and the Indian States emphasized the serious concern which the Central Government felt at the existence of taxation vacua and low pressure taxation areas within the geographical limits of India. The existance of these areas was the principal cause of the distrust and suspicion which had marked the fiscal relations between British India and the Indian States in the past. This feeling would inevitably continue until some remedy was devised for the anomaly mentioned. The only real remedy was, he felt certain, that the Indian States should so adjust their fiscal arrangements as to make the aggregate of their direct and indirect taxation substantially equal to that prevailing from time to time in British India. If an all-States agrreement on these lines could be reached it would do much to remove the Central Government's anxiety and would make closer and more cordial co-operation between the Central Government and the Indian States in economic and fiscal matters possible in the post-war period. The States Representatives undertook to report the whole position to His Highness the Chancellor for early consideration by the Chamber of Princes and the States.

3. The Hon'ble Sir Jeremy Raisman then withdrew and the discussion was continued with the Hon'ble Member for Planning and Development – Sir Ardeshir Dalal. The Political Adviser's letter No. F. 17 (16)-IB/44 dated the 11th of October to the Chancellor was used as the basis for this part of the discussion.

4. The following are the principal points which emerged:—

(*a*) The Hon'ble Member, Planning and Development, expressed himself as being in general agreement with the conclusion arrived at in paragraph 4 of the Political Adviser's letter, that financial assistance from the Central Government to petty

Indian States – assistance which, if granted, would be limited to schemes of regional and all India importance – could only be given on condition that Central or Provincial Government agencies were entrusted with the actual spending of the money. With other States or groups of States which had properly organised technical services each case could be considered on the merits.

(*b*) The Hon'ble Member agreed to consider a proposal put by the States Representatives that without prejudice to the constitutional position of the States in matters of high policy affecting post-war development which concerned the States a committee consisting of the Chancellor, Pro-Chancellor, one ruler to be coopted *ad hoc*, the President and the Vice-President of the Committee of Ministers might be consulted before final were decisions taken when it was practicable to do so and in cases where the views of Provincial Governments were being ascertained in advance.

(*c*) On the subject of Controls, the States Representatives put forward the suggestion that any Statutory Boards which may be sent up by the Central Government should have effective representation of States, the members from States being appointed by the Central Government out of a panel of names to be supplied by States. This would not, of course, apply to technical boards, such as the Central Technical Power Board, which in any case had no representative capacity and to which the Central Government must have full freedom to appoint the best qualified technicians available.

(*d*) The Hon'ble Member, Planning and Development, undertook to give the Indian States all possible assistance in the matter of training technicians, doctors, engineers etc., both in India and in institutions outside the country.

(*e*) The Political Adviser explained briefly his own proposal for the extension of a uniform forest policy throughout India. His principal suggestion was that the Crown Representative should employ and pay for an Inspector General or Deputy Inspector General of Forests for all the Indian States. This officer, who would have full access to all the research and other facilities at the Forest Institute at Dehra Dun, would prepare forest conservancy plans for each large State and for groups of smaller States. The States themselves would have to maintain–in the case of the smaller States on a cooperative basis–the expert staff required for carrying out the advice tendered by the proposed Inspector General or Deputy Inspector General. The representatives of the States were unable to commit themselves to a scheme of this kind unless the whole scheme with all details had been placed before them and considered by the States but they undertook to bring it to the notice of the Chamber of Princes.

APPENDIX C.

Subject:—Question of liability to British Indian tax of the profits from contracts entered into by Central Government Departments with suppliers in Indian States.

The Subject was discussed at a conference on Friday, the 26th January 1945, in the Hon'ble the Finance Member's room. The following were present:—

The Hon'ble Sir Jeremy Raisman, KCSI., CIE.
The Hon'ble Sir Francis Wylie, KCSI., CIE.
The Hon'ble Sir Cyril Jones, KCIE, CSI.
Sir John Sheehy, CSI.
Mr. V. Narahari Rao, CIE.
Mr. K. R. K. Menon, MBE.
Sir Joseph Bhore, KCSI., KCIE.
Sir Manubhai Mehta.
Mr. Ghulam Mohammad, CIE.
Mir Maqbul Mahmood.
} States.

The Hon'ble the Finance Member in opening the discussions referred to the previous discussions on the subject at the Viceroy's House in July 1943 and also in October 1944. For the present he was immediately concerned with the necessity of pursuing every possible measure for counteracting inflation. The proposals were therefore only in regard to short term measures. He was now satisfied that the only adequately effective anti-inflationary action by the States would be for them to levy taxation on a basis comparable with British India. For the moment he was not concerned with the revenue aspect and he was prepared to refrain from levying tax on the profits made on the contracts in question, *i. e.* new and renewed contracts if States adopted his suggestion. Hon'ble Member Finance pointed out that he had already agreed to waive the operation of the Government Trading Taxation Act in respect of all contracts for the supply of goods to the Government of India by concerns in States which were wholly the property of States. But in regard to the rest, he observed that so long as they were not taxed to the extent that they would be taxed in British India he felt bound to continue to take all possible measures to tax the profits in British India. It was not necessary to insist upon the payments being made in British India, in order to subject the profits to taxation. He had been advised that the place of contract and the place of delivery were sufficient. As regards the suggestion to exempt the older and well established concerns in Indian States, he pointed out the practical difficulties in making this differentiation. He added that the Government of India were answerable to the Legislature, and could not defend themselves if they failed to tax a large portion of the incomes which it was in their power to tax. If, on a technical interpretation of the law, the profits escaped taxation he was ready to remedy the defect by necessary legislation. In reply to Sir Joseph Bhore's objection that the steps which were proposed to be taken by the Government of India involved encroachment on the taxing power of the States, the Hon'ble the Finance Member pointed out that the States had not been exercising their taxing power and his proposals had precisely the opposite effect.

The States' Representatives drew attention to the fact that those States which were levying taxation on Industrial and Commercial concerns within their territories, would be detrimentally affected by the measures now proposed since under the arrangement in force for the grant of relief from double taxation a consequence of these measures must be a loss of revenue to the States concerned. The Finance Member said that this could not be helped.

The State' Representatives further pointed out that in making the suggestion that the older and well established concerns in States should be exempted from the measures now proposed, they wished to emphasise that in many cases such concerns could only be brought within the purview of British Indian taxation in the manner now proposed by forcing them to abandon their established trade paractice and usage in regard to place of contract and delivery of goods through pressure which the States could not possibly agree was either proper or justified.

The Hon'ble the Finance Member said that he had given careful consideration to the suggestion made at the earlier conference for making a special exemption in the case of the old established concerns located in States from the normal operation of the British Indian taxation Acts, but he could not see his way to accept this suggestion, due partly to the administrative and other difficulties involved, and partly to the fact that he could not agree that any *normal* trade practice or usage could be said to be disturbed merely by the fact that the acceptor in a legal contract (in this case, the Purchasing Officer of the Government of India) signed the contract in his own place of business (*i. e.* in British India), or stipulated for the delivery of the article he was paying for in the place where he needed it (also in British India).

The States' Representatives have informed the Political Secretary that "we cannot take exception to the Hon'ble Finance Member recording his own views, though we do not seem to have made our own position on this particular point understood by him. The disturbance in normal trade practice or usage lies in forcing a contractor in a State to accept a

contract and in doing so compelling him to depart from his usual custom of only accepting contracts in his own place of business (*viz* the State) and engaging to deliver his goods also at his own place of business (*i. e.* within the State) on pain of stoppage of his essential supplies.

The point has been so often stressed in the course of our discussion that it will be sufficient if this letter is kept on record.

2. Mr. Ghulam Mohammad enquired whether the freezing of profits equivalent to the taxes which would be payable as on the British Indian basis would not meet anti-inflationary requirements. To this the Hon'ble the Finance Member pointed out that there were various means known to capitalists whereby on the strength of their holdings in Government securities and other known assets they could acquire purchasing power. He added that he was now convinced that the mere freezing of profits, however skilfully effected, was not altogether effective in restraining purchasing power.

3. Mr. Ghulam Mohammad then suggested that the Government of India's immediate requirements should be satisfied by a limited taxation of only the profits made on contracts with the Government of India and that the States should themselves retain the proceeds of the taxation.

4. The Hon'ble the Finance Member doubted whether this highly artificial arrangement would work. He also pointed out that the subjection of only war orders to taxation, as suggested, was bound to have a very deleterious effect on the execution of such orders.

5. Mr. Ghulam Mohammad then suggested that the taxation by States of only industries and commerce on a scale comparable to British India might be a solution of the problem. At this stage Sir Joseph Bhore suggested that if a method could be devised of taxation of only the profits made on supply contracts and if this was supplemented by the intensification of internal effective freezing of profits and an undertaking by the States to see that war supplies were not affected, it would be just as effective for anti-inflation as the action suggested by the Hon'ble the Finance Member. The States representatives agreed with Sir John Sheehy that while States were considering his suggestion, existing contracts might be dealt with according to law and test cases might continue. Departments of Government of India would be advised to arrange as far as possible that new contracts and deliveries are made in British India, but action in regard to taxation would be dependent on the action taken by States in pursuance of Sir Joseph Bhore's suggestion.

6. Mr. Ghulam Mohammad suggested that States might enact retrospective legislation, in which case it would not be necessary for the Government of India to proceed with the existing cases. At the outside the Government of India would be only entitled to half the taxation under the double-income tax relief arrangements.

7. The States representatives were requested at this stage to retire for a quarter of an hour to enable the Hon'ble the Finance Member to consider Sir Joseph Bhore's suggestion in consultation with his officers. When the conference reassembled, the Hon'ble Finance Member stated that Sir Joseph Bhore's and Mr. Ghulam Mohammad's proposition to tax only a portion of the income of State contractors was full of administrative difficulties, and that further, States would secure no useful object as a matter of tactics. The ultimate objective of equalisation of industrial taxation would not be settled over a wider field. He doubted therefore whether it was worth while proceeding on a narrow issue at present.

8. Sir Joseph Bhore stated that he himself felt strongly that States must be prepared to face up to the long range point of view, and that in any case the necessities of post-war requirements would compel them to do so. That however was a matter for future and separate consideration. His suggestions were only in regard to the short term problem. It would take some time for the States to work out their schemes for a long term basis but the immediate short term issues needed a solution. States should

at the same time take up the question of levelling up of taxation with the utmost celerity or be ready to take the consequences in the post-war period. The Hon'ble Finance Member, while deprecating narrowing the action, agreed that together with a programme of long range action, short range action might be considered. He asked Sir Joseph Bhore to put down his suggestions in the form of a formula.

9. Sir Joseph Bhore promised to evolve a formula for further discussion dealing with three points :—

(1) As a short range solution, States should themselves levy and retain the taxation on supply contracts with Departments of the Government of India to the extent that the Gnvernment of India now propose to levy it (including compulsory Excess Profit Tax deposits)

(2) States should increase the level of freezing to the level of taxation and compulsory deposits in British India and make the freezing effective ;

(3) States should consider the levelling up of industrial and commercial taxation to that of British India as a matter of long range policy.

The conference adjourned till 10-30 on Saturday, the 27th January.

10. At the meeting held on the 27th January the States representatives presented their formula, which was discussed in detail. After discussion, the following was agreed upon as a short-range formula :—

As the Finance Department of the Government of India has decided to impose British Indian taxation on the profits made on orders placed by departments of the Government of India with industrial and commercial concerns in the States, not owned by the State, and as it was made clear that this was being done as an anti-inflationary measure, the following alternative is suggested for adoption at the option of the State concerned :—

A—that the State concerned would itself levy and retain income and excess profits taxes at rates roughly equivalent to those obtaining in British India on such portion of the profits of industrial and commercial concerns within its territories as arise from contracts concluded with the Departments of the Government of India. In addition, in these cases, compulsory deposits will be enforced at British Indian rates ;

B—that further, in the case of industrial and commercial concerns within States' territories, and which are not covered by (a) above, the States should freeze such portion of the profits as would generally approximate to the quantum of income-tax and excess profits tax (inclusive of compulsory deposit) that would be leviable if the British Indian taxation Acts were applicable to such profits ;

Provided that in computing profits under A and B above, the following deductions shall be made—

(*i*) any taxes levied by the State on such profits ;

(*ii*) export duties on goods which under the arrangements in force could not be passed on to the consumers ; and

(*iii*) such other deductions as are permissible under the British Indian income tax law.

Note 1.—It is understood that import duties would be taken into account in calculating the cost of production.

Note 2.—Profits which have already arisen or may hereafter arise from existing contracts will not be affected by the arrangement

indicated above, and will continue to be assessed to British Indian income and excess profits taxes if the terms of these contracts as they stand at present attract such liability, provided that such assessment will cease as soon as a State has accepted the arrangement proposed in paragraph 11 below.

In specific cases in which assessment proceedings had been commenced, or would be commenced in future, in respect of income which had accrued, or would accrue thereafter, *from contracts which had already been concluded*, such proceedings would go on in the normal manner, irrespective of the decisions taken at the meeting.

The States' Representatives have informed the Political Secretary that—

(1) what we certainly understood we were agreeing to was that the British Indian Income-tax authorities should not interrupt their work of assessing any profits now under discussion which might be or be made to become liable to British Indian taxation but that directly a State agreed to accept the formula set out in para 10 of the Minutes of the discussion and had taken affective action to this end, it should itself take over the task of assessment and of collecting the taxes outstanding which it would retain. It will be seen from para 6 of the draft Minutes that the specific suggestion of retrospective legislation by States was made by Mr. Ghulam Mohammed with the object of making this possible. Any other arrangement might have the effect of very largely nullifying the object which the States' Representatives had in view. So long as the position stated above is clearly understood we do not think there is any necessity to alter the working of the draft Minutes. We would suggest that in order to facilitate effective action on the part of a State that agrees to accept the formula in paragraph 10, information should as soon as convenient be given to it of the contracts entered into with undertakings in the State by the Departments of the Government of India so that it may be possible to ensure that none of these escape the taxation contemplated.

(2) The Hon'ble the Finance Member was good enough to make it clear that the Government of India's approach to this question was not influenced by revenue considerations but was anti-inflationary in its object. We understood that he was good enough to accept our suggestion that States, which agreed to the proposal set out in paragraph 10 of the Minutes of the discussions on the 26th and 27th January 1945 and had taken effective action to this end, should take over responsibility for future assessments and for the collection of all outstanding dues which they would then retain. We had suggested that the States could regularise their action by making recovery of income tax and other impositions on the profits arising out of these contracts retrospective. We now understand from the Representative of the Central Board of Revenue that the Government of India are on principle averse to fiscal measures of this character being applied with retrospective effect. In this particular case of course, the matter would be one for each State to decide for itself. Never-the-less it is possible that many, if not all, States might be prepared to defer to the views of the Government of India on this question if it involved no financial loss to themselves. This, we feel, can be done without any difficulty. We, therefore, suggest the following broad lines for action in the case:—

(*a*) States that decide to accept the proposal in paragraph 10 of the Minutes of discussion should do so from the 1st April 1945. As soon as a State has satisfied the Government of India as to the effectiveness of the action it has taken in this regard, all assessments made on or after 1st April 1945 by the Government of India Income Tax Authorities would be taken over by the State concerned which would also take over the collection of the outstanding dues for retention by itself and the implementation of the other relevant provisions of its new law or regulation as well as all future assessments.

(*b*) So far as assessments made by the British Indian Income Tax Authorities before the 1st April 1945 are concerned, if, in any case, tax has been collected by the British Indian Authorities, they should retain it. In all cases, however, in which collection is outstanding on the date on which a State comes into the scheme, the Government of India should, after collecting the outstanding tax, hand over the proceeds to the State concerned with an agreed deduction for cost of collection. This, we venture to suggest, would meet the objection which the Government of India have taken to retrospective application by the States of taxation measures and at the same time would ensure that the benefit which would have come to the States from such retrospective application would still be ensured to them. This would, it is suggested, be in full conformity with the principles accepted by the Hon'ble the Finance Member and would ensure the fulfilment of his objective.

Any course of action which deprived the States of what would be a substantial portion of the fruits of cooperation in this matter would, we are quite sure, fail to appeal to them,

C—The representatives of the States agree to intimate to the States that the Government of India has decided that in the case of such of them as do not adopt A and B above, the profits arising from contracts made by industrial and commercial concerns in their territories with the Departments of the Government of India would continue to be subjected to British Indian income-tax and excess profits tax, and that industrial and commercial concerns would, in the event of their refusal to enter into contracts with the Government of India with this liability, be liable to such economic sanctions as may be imposed by the Government of India.'

This formula was accepted by Hon'ble Member Finance on behalf of the Government of India.

11. In the course of the discussion, the following implications of the short-range measures were accepted by the Conference:—

(*a*) The representatives of the States who put forward the formula were speaking in their personal capacity, and were unable to commit their own Governments or the Governments of other States to the acceptance of the formula, wholly or in part; all that they could promise was to recommend the formula to all State Governments (including their own) for acceptance in full.

(*b*) Pending the introduction by the State Governments of the necessary legislative enactments and administrative machinery for implementing the formula referred to above, and a conclusion being reached by the Government of India as to whether the terms of the formula had been complied with by each State, the Government of India will instruct their contracting departments to adopt the following measures in the case of all possible contracts concluded or renewed in the future, with a view to *making* the profits arising from the contracts placed by them with Indian State contractors liable to British Indian taxes:—

(*i*) to accept tenders from Indian State Contractors in *British India only*, and

(*ii*) to stipulate, in the contracts at (i) above, for the goods ordered being delivered by the contractor in *British India only*.

(*c*) Such of the profits that have arisen, or may hereafter arise, from the contracts already concluded with Indian State contractors, and such of the profits which may arise hereafter from the contracts concluded with them in the interval referred to at (b) above, *as are liable to British Indian income-tax or excess profits tax*, will be assessed to such tax in British India under the law in force.

(*d*) On the Government of India being satisfied that both the conditions of the formula mentioned in paragraph 10 above have been complied with by a particular State, the former will take necessary action to cease collecting British Indian income-tax and excess profits tax from Indian State contractors on such portion of their income as arises from contracts concluded with them after such date as may be specified by the Government of India as the date on which the conditions referred to above have been complied with by the State Government concerned. As proof of the complete fulfilment of clause (a) of the formula the Indian State contractor will be required to produce before the British Indian Income-tax Officer concerned an authenticated copy of the assessment order issued by the concerned authority in the State, and also a receipt for the amount of tax paid.

(*e*) That the representatives of the States would take all necessary steps in order to ensure that the adoption of their short-range formula would not have any adverse effect on the supplies made by concerns in States to the Departments of Government of India.

It is understood that any measures taken by British India under this paragraph to tax profits accruing to industrial and commercial concerns in the States arising out of orders placed by the Departments of the Governments of India shall not in any way affect the arrangements for relief from double income-tax or E. P. T.

12. The representatives of the States further said that as a measure of long distance policy, States would be requested by them to review their schemes of industrial taxation with a view to approximating the incidence of taxation on industries in their territories to levels comparable to those prevailing in British India, with such provision as may be necessary to foster nascent industries, to secure a level of industrial development comparable to that in British India and to ensure the fullest development of their natural resources. In putting forward their short-range proposals they must not be understood as subscribing to the right claimed by the British Indian authorities to impose British Indian taxation in these cases or agreeing to the manner in which they are being brought within the purview of such taxation. They would be prepared to recommend the above arrangements as a war measure for the duration of the present emergency. This would in no manner detract from the right of the States to be the sole authorities for determining the form and level of taxation within their territories.

The Hon'ble the Finance Member stated that while he could not prevent the States' representatives from making the foregoing statement, the Government of India were themselves not precluded from taking such action as might be found necessary according to circumstances.

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MEMORANDUM EXPLANATORY.

Consideration of the recommendations of the Finance Committee of Ministers on the budget proposals of the Government of India for the year 1945-46 in so far as they affect the States.

In accordance with the arrangements already made, proposals of the Central Budget are made available to the Finance Committee of States on the same date on which the budget is presented by the Finance Member in the Central Assembly. This was accordingly done and the Central Budget proposals for the year 1945-46 were considered by the Finance Committee of States. The Committee noted three features of special interest to the States, *viz.*—

(a) *Posts and Telegraphs Surcharges.*

The Committee noted that it would not be possible to assess the actual share of the States in the revenue to the Central Government from this source. Population basis would be the easiest and most practical way of determining the extent of States' contribution. No action was, however, called for from the States on this subject for the present, as the Crown Representative had already acknowledged the States' contribution under this head as their contribution towards Indias war effort. It is of course open to the States, if these surcharges are continued after the emergency, to claim their share.

(b) *Customs surcharges and excise duty on tobacco — Apportionment between British India and States.*

The Committee noted that the subject was one which was still not settled. As the sums involved were becoming larger and larger each year, the States should press for an early settlement on the question of division of such items of revenue.

(c) *Estate Duty Bill.*

As a measure of fiscal reform and for financing large Post-war development schemes, States should consider the advisability of introducing some such measure in their territories. States shall of course be the sole judges for defining the terms and conditions of such a measure in the light of local conditions. The Committee feels that States should however study this draft British Indian Bill when published.

2. With regard to (a) above, that is Posts and Telegraphs Surcharges, Mr. A. P. Pattani, Dewan of Bhavnagar, a Member of the Finance Committee, has intimated that "it is difficult for me to associate myself with the view that it is impossible to assess the share of the States in the Central revenues under this head. If the opportunity is afforded we could show how it can be done. Besides, when our proceedings conclude with the recommendation that it is open to the States if these surcharges are continued after the emergency to claim their share, it means that the other members share my view that these amounts can be accounted for and claimed after the war. The recommendation of the Committee as it stands will therefore appear self-contradictory to the Central Government and the States, and should be reconsidered". The reference made to this subject in the Viceroy's Address at the 1943 Session of the Chamber of Princes and in the Princes' Reply to that Address is reproduced in Appendix A.

3. On the question of excise duty on tobacco, the Committee of Ministers decided at a previous meeting that while the States may be prepared to cooperate in the matter purely as a war measure they would not like their cooperation to estop them from raising any cotention, specific or general, in regard to general excises or in respect of their share out of the tobacco excise. Moreover, the protest of the States was conveyed to the quarters concerned against the one-sided arrangement proposed in respect of the collection and distribution of the tobacco excise in the territories of the States. It was further decided at the last meeting of the

Committee of Ministers that in view of the importance of the question of Central excises which have been levied and are being levied by the Government of India, the whole question of the policy in regard to these excises collected within the territories of the States, may be referred for examination in the first instance to the Finance Committee of Ministers whose report may in due course be placed before this Committee. This question of general excises is being examined in the first instance in the Secretariat and is proposed to be taken up at the next meeting of the Finance Committee of Ministers. Thereafter, their report will be placed before the Committee of Ministers.

4. The Estate Duty Bill has for the present been postponed but this subject is likely to come up before long and deserves consideration.

APPENDIX A.

Reference to question of post and telegraphs surcharges in the Address of His Excellency the Viceroy at the Session of the Chamber of Princes for the year 1943:—

"Let me add one further instance in which the States and their subjects are making an important contribution to our resources. The Indian Posts and Telegraphs Department was, up to the outbreak of war functioning on commercial lines as a self supporting organisation making no contribution to the general revenues of British India. Such an arrangement is of course only fair to the States who by entering, as the vast majority of them have done, into postal unity with British India, undertook no liability to submit to indirect taxation in the form of surcharges on the normal economic rates for the transmission of letters and telegrams. The exigenices of war time finance have however compelled the Government of India, following in this matter the lead of the Government of the United Kingdom, to raise the postal and telegraphic rates for the express purpose of making a substantial surplus available as a contribution towards war expenditure. It was of course impracticable to confine this process to British India, and it is with deep appreciation that I learn that the States are pressing no objection to the additional financial burden which it places on themselves and on their subjects. The financial value of that burden cannot immediately be precisely computed. But given the areas and the populations affected, it cannot but be substantial. And its acceptance is yet another and a most valuable voluntary contribution by the Indian States towards the prosecution of the war."

Reference to the above subject in the Princes' Joint Reply to the Viceroy's reference on this subject:—

"Your Excellency has referred to the substantial contribution of the Indian States towards the prosecution of the war, by not objecting to the additional financial burden which has recently been imposed on them and their subjects in the form of surcharges for revenue purposes on the normal rates for the transmission of letters and telegrams. Your Excellency has rightly pointed out that it is only fair to the States which have entered as the vast majority of them have done, into postal unity with British India, that no liability should be imposed on them in the form of such surcharges which are intended to make a contribution to the general revenues of British India. We are glad that the principle underlying the claim of the States in this matter has been recognised, and though they are advised that it is not difficult to compute the financial value of their share in the revenue derived from those surcharges, they have willingly agreed that their share in such revenues may be treated as a contribution by the Indian States towards the prosecution of the war."

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MEMORANDUM EXPLANATORY.

Consideration of the question regarding representation of the States on All-India Committees and Empire and International Conferences.

The question of association of representatives of the States with the Imperial and International Conferences has been urged from time to time by the Standing Committee of Princes and the Committee of Ministers and has been emphasised on the quarters concerned. The latest communication on the subject received by His Highness the Nawab Ruler of Bhopal from the Political Secretary is reproduced in Appendix A and is referred to the Committee of Ministers for advice in regard to the line of reply.

2. In September last His Highness the Nawab Ruler of Bhopal invited attention of the Political Adviser to instances of nomination by the Government of India or Political Department to Committees set up by the Government of India of individuals on behalf of the States or as representatives of the States without ascertaining the views of the States in the matter or securing their approval. His Highness pointed out that while it was recognised that the Governor-General in Council was competent to make appointments to Committees set up by the Government of India but where such appointments are made of individuals from the States not in their personal capacity but as "representatives" or "on behalf of" the States, prior reference should be made to the States as had been done on many occasions in the past. His Highness accordingly suggested the following arrangement:—

(*a*) When it is proposed to invite a representative on behalf of the States to sit in any Committee appointed or to attend any conference convened by the Government of India, the Chancellor may be asked to suggest a name. This would not preclude the Chancellor being asked before making his nomination to consider any individual who is deemed to possess very special qualifications for nomination on a particular occasion.

(*b*) Equally, it would not preclude the nomination of a representative on behalf of a particular State provided that the prior concurrence of that State were secured.

3. The Political Adviser in his reply agreed that there had been no strict uniformity of policy and stated that perhaps complete uniformity was not possible. He suggested however that the matter may be discussed personally by His Highness and the Political Adviser. The views of the Committee of Ministers are invited in regard to any particular points which may require consideration when this question is discussed.

Sub Committee
appointed
a recommendation

APPENDIX A.

NEW DELHI,

November 9, 1944.

D. O. No. F. 2 (6)-IA/43.

My dear Chancellor,

Your Highness will recollect that in the discussion of item 2 of the Informal Agenda at the meeting of the Standing Committee of the Chamber of Princes held on January 17, 1944, the Standing Committee urged that "their representatives should be associated with any Imperial or International discussion on aviation which might take place." While, as already intimated to Your Highness, it has not been found possible to accede to this request in the case of the aviation conferences which have in the meanwhile taken place, the general question of States' participation in International and Imperial conferences has, as I also mentioned in our correspondence on the aviation conferences, been under discussion between His Majesty's Government, the Crown Representative and the Government of India.

2. As a result of this discussion I am now desired to inform Your Highness that in any case where a delegation is sent from India to an Imperial or International conference consideration will be given to the question of including in the delegation someone drawn from the States. Each case will, however, have to be considered individually having regard to all the circumstances, and in addition there may be practical reasons against inclusion such as the limitation of numbers or the necessity for confining the delegation to experts whom the States may not in some cases possess. At the same time I am to repeat what was explained in paragraph 3 of my letter No. FF 2 (6)-IA/43 dated September 25, 1944, that where any such delegation includes a member drawn from the States, that member would not be free to take up an attitude at variance with the terms of the official brief drawn up in India. Any divergence between the points of view of British India and the States would have to be adjusted beforehand.

3. In cases where a delegation did not include a member drawn from the States – and indeed even where it did – States would have to rely on His Majesty's Government and on the Government of India to safeguard their interests at these International and Imperial conferences or discussions. I am to observe that there should be no cause for apprehension on this score, particularly when the interests of His Majesty's Government and of the Government of India in matters in the International and Imperial spheres do not normally differ from those of Indian States. In order, however, to avoid any possibility of the interests of States being overlooked, the Crown Representative will do what is practicable to make available to Your Highness in advance the agenda, in so far as they concern the States, of any such conferences or discussions, so that Your Highness may make such observations from the point of view of the States as you may consider necessary. These, when received, will be placed in the hands of the Government of India and of His Majesty's Government for consideration and to enable such instructions as may be deemed necessary to be given to the Indian delegation. This procedure, however, may very often prove impracticable owing, for example, to shortage of time. In some cases too, for instance where the interests of a certain class of States only, such as maritime States, are concerned, direct consultation with those States would probably be more practicable.

Yours sincerely,

(Sd.) L. C. L. GRIFFIN.

Air Commodore His Highness Nawab Haji
Muhammad Hamidullah Khan Bahadur, GCSI., GCIE., CVO.,
Nawab of Bhopal,
Chancellor of the Chamber of Princes.

(6)

MEMORANDUM EXPLANATORY.

Further consideration of the question of collection charges charged by the Railway Board for income from sale of grass and grazing fees etc. from railway lands within the territories of the States.

At the last meeting of the Committee of Ministers held in Hyderabad, attention was invited to the recent letter of the Railway Board fixing 25% of the gross receipts as collection charges for income from sale of grass, grazing fees etc. within Railway lands in State territories, and 10% of gross receipts in respect of leasing of lands for bulk oil installations etc. It was pointed out by representatives of certain States that 25% was very high and that the actual charges came to about 7½%.

2. A circular was accordingly issued inviting any data available in the States on the following points:—

(*a*) Whether these revenues are at present collected by the State agency or by the Railway authorities from Railway lands within the territories of your State?

(*b*) Whether the question of collecting these revenues through the agencies of the State officers has ever been taken up and if so, with what results?

(*c*) What percentage of grass income would be required for the collection of these receipts through State agencies? What is the average percentage of collection for similar revenues by the State agency?

(*d*) Has the State Police been vested with authority to patrol and protect Railway lines passing through the territory of the State? If so, a copy of the order passed on this subject may kindly be furnished.

3. 41 replies have so far been received, out of which 16 state that no railway pass through their territories and two indicate that the railway jurisdiction and management vests with the State concerned and the question does not arise. One reply indicates that the question may be taken up after the war and another reply suggests that the amount involved in the case of that State does not make it worthwhile to take up this question. The substantial majority of the other replies give the following information:—

(*a*) The collection of this revenue is being carried on by the Railway Agency.

(*b*) The question of transferring the collection of this income to State Agency has not been taken up generally but in a few cases attempt was made and did not meet with success.

(*c*) A large number of States indicate that no additional cost would be involved if the collection of these revenues is entrusted to the States. Others indicate that the cost should not be more than three to fifteen per cent of the gross income.

(*d*) The patrolling and safeguarding of the railway lines is now generally done by the State Police.

The percentage ~~discussed~~ to be fixed by mutual Conference

89 (7) 84

MEMORANDUM EXPLANATORY.

Consideration of the question of Trade mark Legislation (Dewas S. B).

This question has been initiated at the instance of the Political Member, Dewas Senior Branch, on the basis of a letter received from the Political Agent with a memorandum which are both reproduced as Appendix A.

2. The scheme put forward by the Political Agent concerned raises an important issue regarding arrangements between Indian States and British India with a view to the enforcement of a uniform policy of essential economic legislation. The adoption of the procedure now proposed might create a precedent as an alternative to Federation, at least in the interim stage, in the field of industrial and economic collaboration between Indian States and British India. "Trade marks" is included in Entry No. 27 of the Federal Legislative List given in the Seventh Schedule to the Government of India Act, 1935. Under the Federal scheme, legislation in respect of trade marks could be undertaken by the Federal Legislature and enforced uniformly throughout the territories of the Federal units, including the Indian States. In the passing of the required legislation under this head, the representatives of the Indian States in the Federal legislature would have a voice with the representatives of British India. The administration of such a Federal law, again, would be undertaken under the authority of the Federal Government, even though in the case of the Indian States such administration may be entrusted to the Governments of the States acting as Agents of the Federal Government. The present proposal however, virtually concedes the right of legislation to the British Indian Central Legislature, the Indian States being expected merely to copy such Legislation and promulgate it under their own authority in their respective territories. In the administrative field, again, the proposal contemplates the authority of the British Indian machinery to be accepted by the Indian States, through the device of such machinery being formally declared to be the authorised machinery of the States concerned. The part that the relevant Department of the Indian States may play in the administration of trade marks legislation under this proposal, will be merely a formal one.

3. Since the outbreak of the war, schemes more or less comparable to that adumbrated by the Political Agent, have been adopted by the Indian States for the purpose of carrying out uniform policies in regard to measures of control under the provisions of the Defence of India Act, or otherwise. These schemes, have been adopted under stress of war circumstances and are expected to be temporary in duration. The proposal in regard to the uniformity of trade marks legislation and administration, however, represents a scheme of more or less permanent character. In so far as it is entirely optional for an Indian State to adopt the proposal, it may not be open to any serious objection. Indeed, having regard to the necessity of a uniformity of policy, particularly in the field of economic legislation and administration of economic controls, certain States that are industrially advanced may find the proposal to be an attractive one. The question of principle involved, however, requires consideration in so far as it contemplates automatic compliance with the provisions of British Indian legislation on the subject, and investment of the British Indian authorities with the necessary powers of enforcement of such legislation in an Indian State as the agents of the State Government. It has already been made clear on behalf of the States that they are prepared to cooperate to the fullest possible extent with British India in economic matters which require uniform policy or treatment provided that (a) there is no discrimination against the State (b) due provision is made for the development of their resources and (c) their representatives are associated with the formulation and implementation of such policies which affect them or with which their cooperation is particularly desired.

98.85

APPENDIX A.

Copy of letter No. 61-66-B, dated the 4th January 1945, from the Political Agent in Bhopal, to the Political Member, Dewas State Senior Branch.

TRADE MARK.

I enclose for your information a copy of Bhopal Agency letter No. 60-B, dated the 4th January 1945 addressed to the Political Member, Bhopal together with a copy of its enclosure. There is no objection to any State joining the scheme. Those States which do not participate in the scheme however are requested not to pass any Trade Marks legislation of their own, as in the absence of such legislation the residents of that State can secure protection for their trade marks, in the same way as has always been open to them in the absence of special legislation *viz.* by filing passing off actions under Common Law. If, however a State desires to pass some Trade Marks Legislation I would request that it may kindly participate in this particular scheme.

2. Will you kindly let me know if any legislation on this subject has been passed in the Dewas S. B. State.

Copy of letter No. 60-B/97-B/44, dated the 4th January 1945, from the Political Agent in Bhopal, to the Political Member, Government of Bhopal, Bhopal.

TRADE MARK.

I enclose for the information of the Bhopal Government a Memorandum prepared by the Central Government setting out a scheme for reciprocal arrangements with Indian States in regard to Trade Marks. To avoid confusion and inconvenience, and possibly unnecessary litigation both in British India and Indian States, the introduction of this scheme in British India and in the larger and more industrially advanced States is a matter of considerable urgency.

2. The Central Government will be glad to send representatives to the States to explain the scheme in further detail and it is hoped to resolve any difficulties that may be felt in its regard.

3. I would request that if there is no objection, the concurrence of the Bhopal Government may kindly be communicated to me in due course for onward transmission.

4. In the meantime will you kindly inform me if the Bhopal Government have passed any legislation on this subject.

Memorandum.

Reciprocal arrangements with the Indian States regarding Trade Marks.

The question of reciprocal arrangements with the Indian State in regard to the registration and protection of trade marks has been engaging the attention of the Government of India for some time. The necessity for these arrangements is supported by the following considerations:

(*a*) Desirability of trade registration at any convenient Registry which will be effective in all the territories to which any scheme decided upon will apply.

(*b*) Importance of uniform practice in the matter of trade marks procedure and administration.

(*c*) Avoidance of conflicting decisions in trade marks cases throughout India.

(*d*) Avoidance of registration in respect of the same trade mark by the same proprietor at more than one registry and payment of separate fees thereof and of several legal actions for enforcement of rights.

(*e*) Maintenance of a single Trade Marks Journal facilitating examination of Trade Marks by interested parties.

2. Representations have been received from time to time from the commercial and industrial interests concerned since the commencement of the Trade Marks Act, 1940, to the effect that a common system of registration of trade marks may be brought into force so that the above mentioned objects may be achieved by suitable arrangements with the Indian States. In fact, the existing Trade Mark Act contemplates certain reciprocal arrangements but the provisions of section 83 thereof, as will be seen, are limited in scope. The Act can, however, be amended as necessary for carrying out any suitable scheme which may finally be evolved.

3. It is considered that a scheme on the lines stated below will be best suited to meet the needs:—

(*a*) The scheme will apply to British India and such Indian States as may from time to time agree to participate in it. There will be no objection to proceeding with the scheme as soon as one or more States agree to join, as this will not in any way prejudice other States joining the scheme subsequently.

(*b*) In order to ensure uniformity of law, each participating State will pass a Trade Marks Act (or amend its existing Trade Marks Act) on substancially the same lines as the British India Act of 1940 and keep it amended from time to time on the same lines as in British India. The rules made by the State under its Act will also be on the same lines as the rules in force in British India. In particular, the State rules will prescribe the same fees in respect of applications for registration and other matters as are prescribed in British India.

(*c*) Provisions will be made in the British Indian Act:—

(*i*) that for the purposes of an infringement action in British India, a trade mark or a certification of trade marks registered in any participating state shall be treated as if the trade mark or certification of trade marks were registered in British India.

(*ii*) that for the purposes of the operation of that Act the Register shall also take into consideration all marks already registered in any of the participating States and all marks which are the subject-matter of applications in any of the participating States and pending with the Register.

Similar provision will be made in the Acts of each of the participating States with regard to British India and the other participating State.

(*d*) In order to ensure uniformity of practice which is of the greatest importance to commercial and industrial interests in this matter, each participating State will appoint as its Registrar and Deputy Registrar respectively the Registrar and Deputy Registrar of Trade Marks in British India. At the same time there will be a separate Trade Marks Registry in the State, and for the immediate control of that office the State will appoint an officer of its own as an Assistant Registrar of Trade Marks, who will act in the State under the direction and control of the Registrar.

(*e*) In actual working all applications for registration of trade marks in a participating State will be submitted to the State Registry and will be forwarded by the Officer-in-charge to the Trade Marks Registry at Bombay for examination and necessary action. On completion of the action required, orders on the application will be passed by the Registrar and communicated to the party or parties concerned through the medium of the State Registry. So far as the public of a participating State are concerned they will thus deal directly with their own Registry and the legal machinery of their own State as will be provided for in the State Act.

(*f*) The Trade Marks Journal containing the marks in respect of British India as well as the participating States will be published in one volume each month. Particular relating to the Registry of each State will however be shown separately from those relating to the British Indian Registry. This will not only be economical but will also be for the convenience of the public. Copies of the Journal of course will be placed at all State Registries and will also be available for sale there. If any participating State wishes to republish the Journal or extracts there from in another language, there will be no objection.

(*g*) All participating States will be represented on any advisory body relating to trade marks which may be constituted under the British Indian Act.

(*h*) As the work of the examination of applications from the States and all proceedings connected therewith will be done at the Trade Marks Registry at Bombay, the participating States will require to maintain a much smaller staff than would otherwise be required and an extra financial burden will be imposed upon the British Indian revenues. In order to meet this additional expenditure it is proposed that each participating State should make a contribution to British India of 50 per cent of all fees received in the State Registry. This arrangement may be reviewed after a period of two years when sufficient experience will have been gained as to the amount of work required to be done at Bombay on behalf of each State Registry. The emoluments of the Registrar and the Deputy Registrar in British India, as well as of any extra staff which may have to be maintained in the British Indian Registry in connection with the operation of the scheme, will be met by the Government of India, and each participating State will of course bear all expenses of its own Registry.

4. The Government of India consider that the scheme as explained above in broad outline would be for the common benefit of British India and the Indian States joining the scheme. From the point of view of the latter, the advantages are:—

(*i*) The commercial community in the States would have the advantage of uniformity of practice regarding trade marks and lack of conflict in the course of their business.

(*ii*) As the heavy work connected with the applications for registration of marks, which will be filed at any of these States Registries, will be done at the British Indian Registry, the expenses of the State Registry will be comparatively small. The States Registry will thus have the benefit of an expert technical staff in addition to the actual services and experiences of the British Indian Registrar and Deputy Registrar.

(*iii*) The expenses of publishing a separate Trade Marks Journal in a State will be avoided.

(*iv*) Traders in Indian States will be anxious to file applications for registration in the State Registry as thereby the benefit of registration extends in effect to all the territories in the rest of India covered by the scheme. As between British India and an Indian State, a person who registers a trade mark, in a State, would be entitled under the reciprocity arrangements to enforce his trade mark rights in British India and the participating States while a person who registers a trade mark in British India would be entitled to enforce his trade mark rights in the Indian States joining the scheme. Territorially the immediate extra advantage to the registered proprietor of a trade mark in British India will be much less than the advantage to be derived by a registered proprietor in an Indian State. The number of applications which may be filed in a State Registry may therefore be expected to be larger than will be the case if the State does not join the reciprocal arrangements and thus the income to a State Registry may also be larger than otherwise.

(*v*) A person who makes an application first in any participating State will have priority rights over other persons making applications on British India or any other participating State.

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N O T E.

RECIPROCAL ARRANGEMENTS BETWEEN BRITISH INDIA AND INDIAN STATES IN RESPECT OF TRADE MARKS LEGISLATION.

Prior to the introduction of Legislation in Mysore, the Trade Marks were registered by the Mysore Chamber of Commerce. This did not secure any right to the parties registering them.

In order to give adequate protection to the industrial and commercial interests both in Mysore and outside, legislation was undertaken on the lines of the British Indian Trade Marks Act of 1940 and the United Kingdom Act of 1938.

The Act empowers Government to enter into reciprocal arrangements with other countries for the mutual protection of trade marks.

Soon after the act was passed in Mysore, the Central Government, with a view to avoid confusion and inconvenience, and possible unnecessary litigation both in British India and Indian States suggested a scheme of reciprocal arrangements with Indian States and called for the views of the Government. They agreed to send their representatives to the Mysore State to explain the scheme in further detail and to resolve any difficulty that may be felt in this regard.

They consider that, though the Government of Mysore has enacted legislation, it is not desirable to bring the Act into force until the scheme of Reciprocity has been considered and accepted and requested that the Mysore State Trade Marks Act may be held in abeyance.

The Residency were replied to on 31/3/45 that the scheme is being studied and that the deputation of a representative by the Central Government to explain the scheme and to exchange the views of the Government would be appreciated. They were also informed that only sections 1 and 84 of the Mysore Act were brought into force from 31/7/44 i.e., prior to the receipt of reference from the Central Government and that the remaining provisions have not been notified pending examination of the Scheme of Reciprocity.

The points at issue in the memorandum referred to in the explanatory memo of the Dewas State (S.B.) are as follows:-

(a) Desirability of trade registration at any convenient Registry which will be effective in all the territories to which any scheme decided upon will apply.

(b) Importance of uniform practice in the matter of trade marks procedure and administration.

(c) Avoidance of conflicting decisions in trade marks cases throughout India.

(d) Avoidance of registration in respect of the same trade mark by the same proprietor at more than one registry and payment of separate fees thereof and of several legal actions for enforcement of rights.

(e) Maintenance of a single Trade Marks Journal facilitating examination of Trade Marks by interested parties.

The Memorandum also points out that in order to ensure uniformity of law, each participating State will pass a separate Trade Mark Act on the same lines as in British India and keep it amended from time to time on the same lines as in British India. The State Rules will prescribe the same fee in respect of applications for registration and other matters as are prescribed in British India.

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(a) For the purpose of infringement action in British India a Trade Mark or a certification of Trade Mark registered in any State shall be treated as if the Trade Mark or certification of Trade Mark ~~or certification of Trade Mark~~ were registered in British India.

(b) For the purposes of the operation of that Act the Registrar shall also take into consideration all Marks which are the subject matter of application in any of the participating States pending with the Registrar.

(c) For ensuring ~~unfi~~ uniform practice each state shall appoint an Officer of its own who will act in the State under the direction and control of the Registrar.

(d) All applications for Registration of Trade Mark in a participating State will be submitted to the State Registry which will be forwarded to the Head Office (Trade Mark Registry) at Bombay, who examines the same and passes order on the application and communicate it to the party or parties concerned through the medium of State Registry.

(e) The Trade Mark Journal containing the Trade Marks in respect of British India as well as the other Indian States will be published in one volume each month. This will be ~~an~~ economical.

(f) All participating States will be represented on an advisory body relating to Trade Marks which may be constituted under the British Indian Act.

(g) To meet the additional expenditure each participating State should make the contribution to British India of 50 per cent of all fees in the State and the State shall maintain a smaller staff etc.

The Director of Industries and Commerce who was consulted in the matter is agreeable to the above proposals. As regards the arrangement proposed for the payment of 50 per cent of all fees received in the State Registry to British India, the Director's opinion is that this may be reviewd one year after the reciprocal arrangements come into force.

While we are in Commercial matters legislation we should before submitting to Bombay Government finalise.

How far and to what extent the scheme can be accepted from the legal point of view is under examination in the Law Secretariat P.T.O.

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While we agree to Commerce Member's point of view that legislation should be undertaken before substantial payments are made to Bombay Government by States.

How far and to what extent the scheme can be accepted from the legal point of view is under examination in the Law Secretariat

P.T.O.

The marginally noted files on the subject are also put up herewith for perusal & ready reference.

1) Part. 4-44
D No 2912
with Part 3-43(3)
and Legis 2-44-1

2) D. No. 1810/S.R.
with copies of
(a) Mysore Trade Marks Act
(b) Bom. Indian Trade Marks Act
(c) Br. Indian Trade Marks Act

(8)

MEMORANDUM EXPLANATORY.

Consideration of certain questions relating to India's Sterling Balances and the position of the States.

This question was first raised by His Highness the Maharaja Sahib of Patiala on the basis of an article in the 'Patiala Post' which is reproduced in Appendix A. Later two memoranda on the subject were received from His Highness the Raja Sahib of Seraikella which are reproduced in Appendices B and C.

This question was referred in the first instance for opinion to Mr. Sirinivasan whose note is reproduced in Appendix D.

APPENDIX A.

India's Sterling Balances.

LORD KEYNES' article in the "Economist" in which he has made out the point that the financial settlement regarding the allocation of the Indian military expenditure between the United Kingdom and India has had unfavourable repercussions on India's internal economy in consequence of ravaging inflation and that the time had come for a revision of the settlement, presumably in Britain's favour, has caused quite a flutter in the Indian financial circles. The fears expressed in certain quarters regarding the possibility of repudiation have brought about the reply that there was never any question of repudiation and "any such suggestion would be as hotly resented in Britain as in India."

The view that the present method of India's war finance involves inflation in crude form with the hardship it inflicts on the poorer sections of the people, and the suggestion that, if a greater share of current defence expenditure is borne by India and is raised by taxes, etc., the burden will be more equitably distributed than at present, have not appeared in the columns of the "Economist" for the first time. There may be a difference of opinion about the desirability of the revision of the Indo-British financial settlement, but we do not see sufficient justification for the tendency to read too much between the lines of the observations which have appeared in the "Economist." Responsible circles both here and in England fully appreciate that sterling balances represent India's immense sacrifice during the war and that their orderly liquidation is of vital interest to her post-war economic development.

The press reports indicate that the Government of India's attitude, which is supported by the Committee of economic experts, is that the entire balances should be as speedily liquidated as possible and that India's delegation at the International Monetary Fund Conference will be free to raise the question of orderly liquidation of sterling balances. It is quite obvious that money has value for India only in terms of goods it can procure, specially capital goods. She has always needed them but the need has never been so acute as to-day, as her available machinery has been put to great strain during the war and needs replacement and her expanding industries need equipment. England's own resources are greatly strained during the present times and even after the war it may be difficult for her to meet all her obligations to India and the supply will have to be extended over a reasonable period. As England may not be in a position to build and export machinery in sufficient quantities to pay off her debt to India, it may be desirable to transfer a part of her responsibility to U. S. A. These are, however, matters which should be settled in a spirit of mutual accommodation with due regard to the fact that the sterling assets are an outcome of a comradeship-in-arms between India and the United Kingdom. It must be remembered that it is in India's interest to see that sterling does not depreciate and that, on the other hand, it is in England's interest to ensure for India a self-reliant post-war economy.

While the question of an early and orderly liquidation of sterling balances looms large in Indian and British financial circles, the Indian States do not seem to have appreciated either the extent of the sacrifice they have made towards the building up of these balances or their right to claim the benefit to which they are entitled under any scheme for the liquidation of India's sterling balances. These balances have grown up in proportion to the inflationary finance provided by the Government of India on account of the expenditure incurred on behalf of His Majesty's Government. They represent the financial counterpart of the burden to be borne by the British taxpayer, of the sacrifice made by the Indians for the common cause, in terms of privations and deprival, in many cases, of necessities of life.

Inflation is nothing but a form of indirect taxation with unregulated incidence. India is one currency unit and the burden of inflationary finance has been borne by the people of British India and Indian States alike. The enormous balances that have thus been built up represent a measure of sacrifice on the part of the people of the Indian States, roughly in proportion to the percentage of the population of the Indian States in relation to the entire population of India. It will obviously be most iniquitous if these balances were treated as the assets of the Government of India or the earnings of the British-Indian people. Indian States are entitled to have earmarked for them a very substantial part of these balances and to have capital goods, etc., supplied to them for their post-war reconstruction programmes against that portion of the sterling balances which represents the burden borne by the people of the Indian States. If it were possible to collect the necessary statistics, the States, with large populations, should be entitled to separate allotments for them from these balances.

It is interesting to note here that the Standing Committee of the Chamber of Princes questioned the right of the Government of India to impose additional financial burden on the subjects of the States in the form of surcharges, for revenue purposes, on the normal rates for the transmission of letters and telegrams. The following two extracts from His Excellency the Crown Representative's opening speech and His Highness the Chancellor's reply to it at the last session of the Chamber of Princes have a bearing on the subject:

> "Let me add one further instance in which the States and their subjects are making an important contribution to our resources. The Indian Post & Telegraph Department was, up to the outbreak of war, functioning on commercial lines as a self-supporting orgnization, making no contribution to the general revenues of British India. Such an arrangement is, of course, only fair to the States who by entering, as the vast majority of them have done, into postal unity with British India, undertook no liability to submit to indirect taxation in the form of surcharges on the normal economic rates for the transmission of letters and telegrams. The exigencies of war-time finance have, however, compelled the Government of India, following in this matter the lead of the Government of the United Kingdom, to raise the postal and telegraphic rates for the express purpose of making a war expenditure. It was, of course, impracticable to confine this process to British India, and it is with deep appreciation that I learn that the States are pressing no objection to the additional financial burden which it places on themselves and on their subjects. The financial value of that burden cannot immediately be precisely computed. But given the areas and the populations affected, it cannot but be substantial. And its acceptance is yet another and a most valuable voluntary contribution by the Indian States towards the prosecution of the war."

> "Your Excellency has referred to the substantial contribution of the Indian States towards the prosecution of the war, by not objecting to the additional financial burden which has recently been imposed on them and their subjects in the form of surcharges for revenue purposes on the normal rates for the transmission of letters and telegrams. Your Excellency has rightly pointed out that it is only,

fair to the States which have entered, as the vast majority of them have done, into postal unity with British India, that no liability should be imposed on them in the form of such surcharges which are intended to make a contribution to the general revenues of British India. We are glad that the principle underlying the claim of the States in this matter has been recognised and though they are advised that it is not difficult to compute the financial value of their share in the revenue derived from those surcharges, they have willingly agreed that their share in such revenues may be treated as a contribution by the Indian States towards the prosecution of the war."

The contribution made by the people of the States in the form of surcharges for revenue purposes on the normal rates for the transmission of letters and telegrams is a drop in the ocean compared to the heavy burden borne by them in consequence of the expansion of currency in India necessitated by rupee disbursements on behalf of His Majesty's Government. It is understood that on March 31, 1939, the Reserve Bank of India had £55.5 millions' worth of sterling securities; the balance with the Reserve Bank was at the end of May 1944, a little over 745 millions showing an increase of 690 millions which, if converted into rupees amount nearly to 920 crores of rupees. The States' share in the sterling securities built up so far during the war will, roughly speaking, amount to Rs. 230 crores. This is a colossal figure which may have another 50 per cent. added to it, by the time the War is over, and the Indian States should lose no time in taking the matter up in right earnest. The importance of the question does not need being stressed; it leaps to the eye.

APPENDIX B.

Sterling Balances and Sterling Reserves.

(Memorandum received from Seraikella State)

Proposals are emanating from various quarters suggesting the use of the sterling funds in the reconstruction of India after war. In these, the name of works for reconstruction in provinces have been more freely mentioned than those in the States. The States also feel aggrieved about the industrial policy of the Government of India, which matter is under consideration and negotiation with H. E. the Crown Representative.

The States have contributed no less in the accumulation of the reserves and therefore they expect equal treatment with the provinces in the sharing of the benefits accruing from the reserve which have been built by common effort. The question is undoubtedly a federal matter or a matter of common interest in which the Government of India Act 1935, provides principles for equal treatment. Under the circumstances the legal position of the States is unquestionable.

It is therefore suggested that the States should approach H. E. the Crown Representative or for that the Government of India for the clarification of the point with a view to removing any misunderstanding in future.

The States comprise nearly half the area of India and possess more natural resources in mines, minerals, forests, sources of water power arable lands than those in British India. If reconstruction of India is the idea, the State's case cannot be left out of consideration. Reconstruction is an indivisible idea, it cannot take place if the States' question is not properly dealt with.

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APPENDIX C.

Memorandum on the Sterling Balances of India in London.

The subject bristles with technical difficulties but all the provinces in British India have resolved that, as soon as possible after the war, schemes which are in active preparation should be put in force for raising the standard of living of our masses so that the objects of the Atlantic Charter may be realised in the East as well as the West. Of these objects the principle of Freedom from want is the most important as without this essential freedom all other freedoms become meaningless. As peace comes steadily in sight, the world press, including the Indian press, is devoting considerable space to plans of development and reconstruction - which are ready for execution. Some of us may not believe it possible to blue print a people into Elysium, but some sort of foresight and catching time by the forelock—on our part is necessary. States are fully prepared to subscribe to the view held by His Excellency Lord Wavell that economic development should not lag behind political progress and are therefore prepared to extend the States' utmost cooperation to the new Planning and Development department which has been set up in Delhi. The Rulers wish even to go further because, as one of the Chancellor's circulars points out, we the Indian States have a greater leeway to make up than the British provinces. For various reasons their development in the past has been neglected and, as India has to put forth greater efforts in men and money to achieve an equality or a near approach to the European standard of living, they, in the Indian States, have to work harder in order to stand shoulder to shoulder with the British provinces in realising the destiny.

2. The greatest obstacle to the attainment of this object is their universally admitted lack of financial resources adequate to their needs. Their needs are very great, indeed greater than those of the British provinces; for, barring well known exceptions, Indian States have poorer communications, less fertile land, scanty raw materials, fewer industries and undeveloped social services. And yet, they are responsible for the well being and happiness of a quarter of the total population of India. It is true they have a long and unbroken tradition of administrative experience, which is not often found in democracies, for tackling these problems but they are painfully short of the funds necessary for any successful development. Most of them will continue to face this difficulty, inspite of all measures to tax the limited resources of their subjects, unless the Imperial Government comes to their rescue. To the authors of the Bombay Plan, costing 10,000 crores of rupees, finance presents no difficulty as they believe that money is not an end by itself but a means to carry out a policy What they cannot provide by taxation and increased income, they prefer to borrow or create by inflation, and pay for it from increased productivity. Against this policy, Sir Jeremy Rsisman sounded a note of caution in his last budget speech with which one may well agree; but without going into the merits of the different methods of financing development which may be adopted in future, the Rulers shall not be going beyond their rights, if they claim for their development a share of the surpluses which have arisen in the past as a result of the common sacrifices made by the people of the Indian States in the company of the inhabitants of the British provinces.

3. Of the many surpluses which have arisen in this way, the most outstanding and the largest are the Sterling Balances which have accumulated in London as a result of the currency operations of the Reserve Bank of India, According to the latest statistics these, now, amount to the enormous figure of about 1066 crores and it is expected that they will exceed this figure before the war ends. The sacrifices of

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on political grounds. It may be said that the sterling balances have arisen from the note issue of the Reserve Bank of India, are held as cover aginst that issue, are the property of the Reserve Bank of India and therefore are not available for financing any industrial schemes of either British India or Indian India. They are liable to disappear, if the notes issued against them are recalled and cancelled as a measure of deflation to combat inflation. It is admitted that this point of view, urged in London papers, which is too easily lost off by planners in British India, has not only great force but is indeed axiomatic. Our industrial castles built on this foundation may therefore rapidly melt into thin air. But it is to be pointed out against this that the hypothetical deflation, which is envisaged, is not likely to arise as it will have a disastrous effect on the agricultural and industrial economy. Moreover these sterling assets in the present state of British trade and industry are practically blocked for a few years to come and will not be available to India for currency deflation except in the form of British goods which will take some time to produce. There is therefore every chance that some at least of these balances will be treated as surplus to currency requirements and treated as capital reserves rather than currency reserves. When that is done for British India, it may be urged that it may be done for Indian India also; for what is sauce for the goose is sauce for the gander.

6. The political objection, though formidable as having the authority of law and convention, is less substantial, because it is not equitable. It may be said that under the present working constitution of India, the provinces have no control over India currency; have no power over the Reserve Bank of India and are therefore not entitled to share its profits or losses. There is some force in this formal and legal objection but it can be easily countered by the question "Is there anything In the persent constitution of India beyond the States innate loyalty and moral duty to the Crown and a United India to "furnish man and meterial for the war" ? Equity, common sence and profound sense of the unity of India and fealty to the King. Emperor requires that one should do his best in this respect and no one can say that the Rulers have failed in their duty. If that is so, no one with any sense of fairness can deny them the prtvileges arising from their common allegiance and common nationhood. After all, it is only an accident of their preoccupation with the war, that they are not functioning today as a part of the federation of United India. That federation was fashioned at three successive Round Table Conferences in London in which all the "principal elements in the political life of India", including States were represented. It embodied the maximum common agreement which has so far been reached in India. One cannot but be aware of the misgivings, doubts and uncertainties of various parties about it, but one also is certain that had it not been for the war, that Federation with its Federal cabinet Prime Minister, Federal Ralway Authority, Federal Currency Authority etc. would be functioning today and speaking with a united voice to India and the outside world. In planning for an India above want, it would not have forgotton the claims of Indian States and would not have refused them their share of the currency profits for their developments. For how can British India advance, if Indian India lags behind ? It is just as well to imagine the whole progressing without its parts. Nothing illustrates better the disadvantage of delay in realising their common legal unity than that such prejudices should linger in their minds. What was therefore admissible to them but for the war, should not therefore be denied to them because they have done their bit for the war. When they have suffered all the sufferings and sorrows of a United India during war, it is trusted, that they shall be allowed to share the united blessings of a Victorious Peace.

the States subjects no less than those of British Indians have contributed to the growth of these balances. Barring a State like Hyderabad in Deccan nearly all the Indian States have lost their currency functions including the right to issue notes to the Paramount Power and these functions are now discharged by the Reserve Bank of India for India (including Burma) as a whole. The notes of the Bank which are merely so many promises to pay are advances by the public to the Bank are held as much by the people of the Indian States as by the people of British India; and if, in any indivisible currency unit, any profits arise from currency, it is only fair and just that they should be shared amongst the members of that currency unit in proportion to their contribution to the common profit or the use of the common currency. For the present the profits of Rupee coinage which is in use every where is not considered, but reference is made exclusively to the sterling balances which are the subject of so much contemporary discussion. The authors of the Bombay Plan and indeed most authors of reconstruction plans count on these balances as being available for the post-war industrial and agricultural development of Indian. Of course when they mention India, they do not exclude Indian States from the purview of their plans. The Rulers do not set themselves up against any interest in British India when they merely discuss the share in these balances which may w i t h Justice be claimed by the Indian States. It may be acknowledged that Bank and note using habits are comparatively less developed in the States as a whole than in B r i t i s h India, and therefore no injustice will be done to anybody if it is claimed on behalf of the Indian States not what the States may be entitled to according to their area or their population, but only one-fifth of these assets namely Rs. 213 crores, if the present figures are taken as the basis of calculation.

4. The States are entitled to this share both on account of their notable contribution to the war effort which has been repeatedly testified to by the Prime Minister and the Viceroy downwards and by the sacrifices and privations their subjects have undergone as a result of the high level of inflationary prices. Rightly or wrongly, they have drifted into a position under which Allied war expenditure in India has had to be financed by indirect inflation (not that it was deliberately meant by the Government of India) due to the operation of the Sections of the Reserve Bank of India Act dealing with Reserves against note Issue. Beyond a fixed amount which can be held in rupee coin and rupee securities, the rest has to be held in gold coin, gold bullion or gold securities and since gold coin or gold bullion is under a universal embargo during the war, most of the note issue reserve has come to be held in sterling securities which constitute the major portion of the sterling balances. The notes issued to pay for the growing number of allied war transactions therefore constitute the *raison de etre* of the Sterling securities held in London on behelf of the Reserve Bank. These transactions could have been financed by taxation or public loans as well, but no country at war can finance its entire war expenditure in this way and it is only now that vigorous steps have been taken to popularise government loans and raise taxes to combat inflation Inflation has however to be paid for like any other means by high prices; and h i g h prices which have meant such hardship to the poor, are in fact the worst form of taxation. In this general hardship, the subjects of Indian States have had their full share and if Sterling Balances arise as a consequense of that hardship, they must, receive a share of their benefits, if any.

5. Two objections con be urged against the proposal to share the sterling balances for the common benefit of the Indians in British and Indian India one on practical economic grounds and the other

APPENDIX D.

Claim by the States to a share in the STERLING BALANCES.

The claim of the Indian States to a share of India's sterling balances, as stated in the note forwarded to me, is based on certain misconceptions about the manner of their accumulation or the mode of their eventual utilisation by its rightful owners. It is far from accurate to say that the sterling balances are, or can be, treated as assets of the Government of India. Sterling balances are, both in law and in fact, the assets of the Reserve Bank of India, which the Bank holds in its currency reserves as backing for the enormous additions to currency that have had to be effected during the war. And the Bank cannot utilise the reserves in paying out sterling to any one, whether it be the Government of India or a State or a private party except in return for a corresponding payment in rupees to the Reserve Bank at one of its Offices in India. The question of a claim to a share of these sterling balances arises from the apprehension of a shortage of foreign currency for payment of goods and services that it may be necessary to buy abroad in the future. Normally, no such apprehension need be entertained. But in the conditions of the post-war times, not only can the demand for imports of goods, and capital goods in particular of large value, be conceivably very heavy, but the means of paying for them may also be small, owing to exports being on a low level, either absolutely, or relatively to the value of imports at that time. But a share in India's sterling balances can be utilised only on the States paying the value of that share in rupees to the Reserve Bank. The Government of India, if they agreed to such earmarking for the benefit of the States, may well stipulate that the value of sterling securities so earmarked should be deposited with the Government of India in the shape of subscription to the Central Government loans to an equal amount. If such a stipulation were made, the States' money will be tied up in Government loans, while the availability of the States' share of the sterling balances will be subject to the same uncertainty that hangs over the sterling assets of British India.

It would not be unreasonable, as I shall show presently, for the Government of India to make such a stipulation. For, the incidence of inflation, which the States have borne in common with British India, is by no means adequate ground for a claim to a share in the sterling balances. If the States have suffered from the effects of inflation, that can entitle them, as independent political units without coinage and currency of their own, to a share in the large profits of coinage and currency, which the Reserve Bank has been able to make and has handed over to the Government of India year after year. This claim will be examined and its merits will be stated in a separate note; and I may add that in my opinion a very strong case can be made out for a suitable share for the States of the profits of the Reserve Bank. Here, it is necessary to emphasize that a claim to foreign currency or external reserves can stand only if, and to the extent, it can be shown that the States have tendered goods or rendered services, for which in normal peace time they would be entitled to payment by the other party in a foreign currency. What has happened in war time is that in the conduct of the war effort in India, in the purchase of goods and services for the war effort, the Government of India act in a dual capacity, firstly in their own behalf for the defence of India and secondly, as an agent of the allied Governments, British and other. The payment which they make in the former capacity have necessarily and naturally to be in Indian currency. But the payments in the latter capacity, which should be in various foreign currencies, sterling, dollers or francs according to the Government which makes the purchases, have also been in rupees, because, for obvious reasons, India has not insisted on being paid in the currency of the buyer. Foreign Governments have paid to Britain probably in their own currencies; but since the foreign currency resources of the Empire are pooled together, H. M. G. pays both for its own purchases and those of other allied Governments in sterling to the

Reserve Bank of India. The Reserve Bank receives money in sterling and pays the Government of India the rupees which the Bank is in a position to create on the strength of the securities in London and which the Government of India needs and is entitled to. The rupees so got are paid ultimately to all the individuals and companies who have bills on the Government for ssrvices rendered or goods delivered. There thus results a position in which there is a large volume of rupee circulation in india and a large volume of sterling securities in London. But neither the Government of India nor any party – except the Reserve Bank in a narrow, almost unreal sense – can be said to own the sterling. It should not be forgotten that India's sterling securities, though they are, no doubt, assets, are covered by the liabilities represented by the large note circulation in India. Those who have, by tendering goods and services, made that accumulation of sterling reserves possible have been paid off in rupees, so that no one can utilise any part of the sterling reserves except by tendering equivalent value in rupees to the Reserve Bank. It will thus be seen that the Government of India can reasonably contend that, if the States want a part of the sterling balances earmarked for them, they ought to deposit an equal value with the Government in the shape of loans.

It can, no doubt, be argued, that the States should be regarded as being on the same footing as British Indian Provinces, in as much as the former, the same as the latter, have accepted payments in an inflated rupee currency. This argument would cut both ways; since it would also invalidate the claim for separate earmarking. The Government of India may well ask the States to choose between being treated as separate political units, and being treated as part of the larger political entity, India. In the former case, they would contend that, having been paid for the goods in rupees, the States cannot have a share in the sterling balances except for new consideration such as subscription to Government loans. In the latter case, they would contend that no question of earmarking arises.

The question whether the States should make a claim to a share of the sterling balances must be answered in the light firstly, of the possible need for foreign currency in the post-war years and their possible availability or non-availability through normal methods; and secondly, on the strength of the case which the States can put up in support of their claim.

Taking the first question, the need of the States for foreign currency cannot be foreseen except with a fuller knowledge of the normal state of trade as between the States and British India and the volume and value of goods which the States export to countries outside India. Data of this kind are important for every economic question that may possibly arise in the near future; and I suggest that the construction of the trade returns according to the classification adopted in British India should be taken on hand by the economic organisation without any further delay. In the absence of specific data, we can only proceed on the basis that the States have no considerable balance of trade with British India and the rest of the world which they can devote to the purchase of capital and other goods from foreign countries. We have also to take into account the fact that British India will also have need for large amounts of foreign currency, while the settlement that may be ultimately arrived at between India and Britain regarding the sterling balances may not provide for more than £75 million being made available to India each year. In fact even this may prove to be optimistic. In these circumstances, it would be the part of wisdom to ensure that a certain part of the sums that India will be enabled to utilise year after year out of the sterling balances will be available to the State for their economic development. Post-war controls may so operate that in the absence of such prior provision, developmental schemes may be dangerously delayed for lack of foreign currency.

But if such a claim is to be successfully pressed, the case for the States' share in sterling balances must be built up on a sounder basis. I

have already observed that such a claim must be related to goods and services for which normally payment in foreign currency can be insisted on. There can be no real claim to sterling, if all the goods and services that the States have tendered have been for the consumption of the Government of India, and not any allied Government. It is for the States' officials concerned to make an estimate of the goods and services tendered to the Government of India as agent of the allied Governments.

I may at the same time express my apprehension that the data referred to in the last paragraph may not point to any large amount as the States' legitimate share of India's sterling balances. But more cannot be said till the data are actually gathered and some quantitative notions can be formed. I say this, because, I feel that the Government of India will have little difficulty, and even less compunction, in disposing of a claim to sterling balances, which is proportionate, to population and which is based only on the fact of inflation. While I believe that it will be very advantageous to the States to secure a share of the sterling balances, I am not in favour of making the claim at this stage for the reasons stated below. Firstly, we have not yet estimated the supplies made to the Government of India for which a claim for payment in sterling can stand. If this estimate should prove to be too low for the purpose, other ways of increasing the claim have to be thought of, as, for instance, exports of gold from the States or foreign balances of Indian Princes which have gone into the Empire pool etc.

Secondly, the fate of India's sterling balances still hangs in the balance; and the prospects appear to be none too bright. India's delegates to the International Monetary Conference failed to include them within the scope of the International Monetary Fund. Sir Chintaman Deshmukh, the Governor of the Reserve Bank, is said to have failed in his attempts to secure a settlement. And the British Press continue to talk in terms of blocking the sterling assets. Till some-thing is known definitely, a claim to sterling may involve the States in new obligations rather than confer on them any worthwhile advantages. But no time should be lost in preparing the necessary data, so that the opportune moment for putting in the claim will not be missed.

Thirdly, there is need to decide which of the two possible claims the States should prefer to make whether the claim to a share of currency profits or the claim to a share in the sterling balances. This preference will have to be related to the possibility of a counter claim from the Government of India to a contribution from the States to their war expenditure. I should like to be informed of the nature and extent of the States' contribution to the Government of India's war expenditure. The Central Government's Budget bears no trace of it. But whatever the contribution may be, a claim to currency profits is more likely to evoke the counter-claim for contribution to war expenditure, than the claim to sterling balances. This seems a decisive consideration. But I should like to know how the States would meet a demand for contribution to India's war expenditure, if the Government of India should make such a claim, independently of the questions considered in this note. If that case is reasonably strong, then the solid advantage of securing a fourth of the currency profits may be preferred to the dubious one of securing a share of sterling assets which, after all, may prove to be quite bad debts for India as a whole.

I may summarise this long note as below:—

(1) A claim to sterling assets must be based, not on the incidence of inflation, but the tender of goods and services to the Government of India as agent of the Allied Governments, the export of gold which may have flowed from the States, and foreign currency holdings of Indian Princes and balances and trade of the States with foreign countries.

(2) Efforts should be made from now to estimate these accounts.

(3) Considering all relevant circumstances and possibilities it would be advantageous to have a certain amount of sterling earmarked for the States' requirements in the postwar period.

(4) The claim to sterling balances should not be made till a sound case is built up and the future of India's sterling balances can be more clearly foreseen.

(5) The incidence of inflation, and their position as independent political units, will give the States a strong claim to a share in the currency profits of the Reserve Bank of India.

(6) A claim for currency profits is more likely to provoke a counter-claim for contribution to war expenditure than a claim for sterling balances.

(7) The position of the States, in relation to the Government of India's war expenditure and the right answer to a contingent demand for more should be immediately studied.

(8) The trade relations of the States with British India and foreign countries should be studied and statistics complied.

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(9)

MEMORANDUM EXPLANATORY.

Consideration of the question of royalty for materials quarried from railway lands within the States by the Public Works Department of the Government of India.

Certain States recently received a communication from the Political Officers forwarding a copy of the decision of the Government of India that these States should not charge royalty for ordinary materials quarried from their lands by the Public Works Department of the Government of India for roads and buildings. This order was also made applicable to Jagirs and Thakorates within State territory as it was stated that the Government of India was not concerned with any arrangements made between the Darbar and Jagirdars regarding such royalties.

2. It was felt that the inherent rights of the States within their territories in regard to this matter could not be affected by any unilateral order issued by the Central Public Works Department. A circular was accordingly issued to the States with a view to ascertain the position.

3. Replies received have revealed the following position:—

(*a*) No uniform policy or practice is being followed on this subject.

(*b*) The communication under reference has been addressed to some States but not to all States.

(*c*) The practice on the subject varies. In some States royalty is charged at uniform rates on such material whether they are taken by the departments of the Central Government or any other central department or by private agencies. In some cases royalty is charged from the Central Departments but at a slightly lower rates. In a few cases the Central Department get permission from the States for free quarrying of material for public roads etc., in a few cases no royalty is paid and no permission is asked for from the States. In the case of some States the Central Departments pay royalty even to private owners who have certain rights in such material as is utilised for Public Works Departments. In a few cases reciprocal arrangements are made.

(*d*) In one or two cases recently there has been a tendency to introduce new clauses in the existing arrangements with a view to secure exemption from quarrying of stones for public roads by Central Departments from royalty paid to the States.

(*e*) In one case the Government of India informed the State concerned that they had definitely decided in 1906 that no royalty should be paid to States and Estates for material quarried by Imperial Public Works Departments for buildings or roads situated in their territories.

(*f*) In a large number of cases the question has not so far arisen.

Each State to settle this with the Govt of India

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MEMORANDUM EXPLANATORY

Consideretion of certain items relating to the proposed Conference of the Speakers and Secretaries of the Legislatures in States

It was decided at a meeting of the Publicity Committee of Rulers that a Confererence of Speakers and/or Secretaries of Legislatures in the various Indian States may be convened to pool their experience in regard to questions over which there need not be any controversy relating to the constitutional developments in the States. A circular was accordingly sent to the States and the replies received have generally favoured the proposal to convene such a Conference.

2. The question of costitutional reforms in the States has assumed great importance and is likely to figure very prominetly in the forthcoming discussions regarding the constitutional reforms in India. The best line of approach to this question as recommended by the Drafting Committee of Ministers and endorsed by the Study Circle and the Committee of Ministers, is as follows :—

" It is essential in the interests of the States that there should be increasing association of their people with the governance of the States through suitable representative institutions, the stages of such association being conditioned by local circumstances. The Rulers and Governments of States should, therefore, introduce, representative institutions with non-official. and, as far as possible, elected majorities. In making this recommendation we do not conceive institutions wherein representation is mainly allocated on the basis of numbers. In fact, we would, deprecate any arrangement which would seriously affect the structural balance of society in individual States and unsettle their socio-political equilibrium. We would therefore suggest that in framing the constitution of a State, the composite character of the society and the main elements of the life of the State should be kept specially in view. The failure of many modern constitutions has been primarily due to the insufficient recognition of these considerations. "

3. It is understood that the decision in this question must rest with the individual Rulers and governments concerned. At the same time, as the matter of constitutional reforms in the States is receiving active consideration, the advice of the Committee of Ministers and the recommendations of the proposed conference of Speakers and Secretaries of legislatures in the States might be of great assistance to the States in reviewing their arrangements. It will also help effectively in enlightening Public opinion in India and abroad about what is being done by the States in this matter. It will also pool the experience of the various States and make it available to others.

This item is included in the agenda of the Committee of Ministers with a view to inviting their advice on the following points :—

(a) What items might usefully be included in the agenda of the proposed conference in addition to such points as may be suggested by the representatives selected for the proposed Conference ?

(b) What further suggestions, if any, may be made to the States for early consideration in this matter with due regard to local conditions with a view to implementing and extending, where needed, the proposal made in the extract quoted in paragraph 2 above. The advice on this question may include consideration of the case of such small States as may not be in a position to have an elaborate legislature and yet require suitable machinery to ensure the growing association of their peoples with the administration of the State.

(c) Any other points which the Committee of Ministers may wish to suggest for consideration of the States.

decision
- this may be added

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MEMORANDUM EXPLANATORY.

Consideration of certain recommendations on Education, Public Health and Medical Relief and Post-War Reconstruction.

The summary of proceedings of the all-India States Conference on Education, Public Health and Post-War Reconstruction is reproduced as Annexure I. The Committee of Ministers is invited to advise the Special Committees of Rulers as to what action should be taken on the Resolutions of the All-India States Conference reproduced in Appendices C to E of Annexure I.

2. In this connection the following points are suggested merely as a basis of discussion :—

Education (*Appendix C.*)

(*a*) A copy of the Resolutions may be circulated to the States along with the data collected by the Secretariat which was placed before the Conference. These would assist the States in reviewing their own arrangements in the light of the recommendations of the Conference. The attention of the States may, in particular, be invited to Resolution V inviting the States to aim at doubling the school going population in 5 years and to take all consequential steps to that end.

(*b*) Resolution IV recommends co-operation among States particularly in regard to professional colleges, centres for research experiments and similar other institutions. For this, data may be collected of the existing facilities in the States and the extent to which they can accommodate nominees of other States in their institutions. Details may then be worked out of the possible lines of co-ordination or development in the States in this sphere.

Medical Relief (*Appendix D.*)

(*c*) Resolutions adopted at the Conference and the data collected by the Secretariat and placed before the Conference may be circulated to the States.

(*d*) In regard to parts (vii) and (viii) of Resolution II, data may be collected of existing facilities available to the States in respect of Leper Asylum, Mental Hospitals and Common Training Centres for Sanitary Inspectors, Nurses, Mid-Wives, health facilities, etc. On the basis of data thus collected, a detailed scheme may be worked out for the possibility of co-ordination amongst the States and further development in this sphere.

(*e*) The suggestion made in part (ix) of Resolution II recommending the establishment of a Medical College and a Medical Research Institute in a central place for the States is most important. The difficulties in this matter experienced by the States are real and the needs of increased personnel for the post-war development of the States are imminent. If approved all necessary details, including the possibility of number of students available from the States may be worked out. Information about the existing facilities or plans of expansion in view of the States will also be collected. Thereafter, the details may be examined in the first instance by a small committee.

(*f*) Regarding part (x) of the Resolution, relating to the setting up of Health Centres as experimental measures, the possibilities may be examined and detailed recommendations made by the Sub-Committee referred to in (a) above.

(*g*) Resolution III recommends the appointment of a Committee including experts on medical services to formulate proposals for the States – big and small – for medical development in the post-war period. The personnel of this Committee may be settled

no specific recommendation to be circulated to all the States for their advice or may be left to them.

and if approved Sir Joseph Bhore may be invited to guide its deliberations. It would be desirable to provide for co-option of some experts from each region when the Committee examines regional questions.

Post-War Reconstruction (Appendix E.)

(*h*) The Resolutions and the data collected by the Secretariat may be circulated to the States.

(*i*) In Resolution I it is recommended that Advisory Boards of best experts available in the States may be set up on important Departments. This is a valuable suggestion which deserves consideration.

(*j*) Resolution IV records appreciation of the Conference of the "valuable data collected by the Secretariat and placed before the Conference" and recommends that the data may be circulated to the States to assist them in the working out of their post-war plans. This data covers about 80 closely printed pages. It has already been given one copy each to the delegates present at the Conference. As such, in order to avoid expense of getting all this data reprinted, the States may be informed that this data has been supplied to their delegates who attended the recent Conference and in regard to the few States which were not represented at the Conference, one copy each may be sent out of the few copies that still remain.

k) Resolution V regarding assistance to smaller States for post-war development and Resolution VI regarding the Bombay Plan have been referred in the first instance, as recommended, to the Post-War Reconstruction Committee and the Finance Committee of States.

(*l*) Resolution VII recommends that difficulties of States in obtaining plant and machinery be taken up with the Government of India. This has already been done and the matter is being actively pursued by His Highness the Nawab Ruler of Bhopal.

ANNEXTURE I.

Summary of Proceedings of the All-India States Conference on Education, Public Health and Medical Relief and Post-War Reconstruction.

The All-India States Conference on Education, Public Health and Medical Relief, and Post-war Reconstruction was inaugurated by His Highness the Nawab Ruler of Bhopal at 10-00 A. M. on the 7th December, 1944.

2. His Highness, in the inaugural speech (Appendix A), touched on two questions of policy relating respectively to the Internal Reforms in the States and the attitude of the States towards Central Plans for Post-war Planning and Industrial Development. On the first question of Internal Reforms, His Highness referred to the resolution (Appendix B) which had been approved unanimously at the meeting of the Princes held during the week in Delhi. This resolution, His Highness said, was a declaration of Policy on this important question. His Highness added that the Administration Reports of the States (which were now published by every Chamber State) and the Memoranda placed before the Conference would show that the Indian Princes, almost without exception, were applying themselves earnestly to the progress of internal reforms within their territories.

Adverting to the second question, His Highness stated the attitude of the Indian States towards the Central plans for Post war Reconstruction and Industrial development. He declared it was in the interests of the States, as also of the country as a whole, that the States should cooperate to the fullest extent possible with these plans. His Highness pointed out that it was in the interests of British India as well as the States and of India as a whole, that there should be fullest possible development – industrial and agricultural – of both British India and the States. There was ample scope for it. The States must make up a great leeway in respect of their industrial development and it was hoped that they would receive the fullest cooperation of British India in this matter. His Highness emphasised that with goodwill on both sides, it should be possible to overcome any difficulties in the way.

3. Sir Manubhai N. Mehta Chairman of the Committee of Ministers, presided over the deliberations of the Conference. The Conference then split up into three sections on—

(*a*) Education – with Sir B. N. Rao (Prime Minister, Jammu and Kashmir) as Chairman.

(*b*) Public Health and Medical Relief – with Sir Joseph Bhore (Economic Adviser, Bhopal and Chairman of the Health Survey and Development Committee set up by the Government of India) as Chairman.

(*d*) Post-war Reconstruction-with Sir V. T. Krishnamachari, (President of the Post-war Reconstruction Committee of the States) as Chairman.

4. It was resolved at the Conference that the Delegates from the States for each of these Sections of the Conference should constitute the Subjects Committee for that Section. The Subjects Committee met separately. Owing to the unavoidable absence of Sir Joseph Bhore, Nawab Sir Liaqat Hyat Khan (Political Adviser, Bhopal) presided over the Subjects Committees on Public Health and Medical Relief. The Subjects Committee met in the afternoon of the 7th December and in the course of the next day. The discussion proceeded on the basis of digests of suggestions received from the States and draft resolutions prepared by the Secretariat on each subject. After discussions, the Subjects Committees framed resolutions which were placed before the Conference. In the course of discussions on the question of allotment of greater percentage of revenue in States for education purposes, the Subjects Committee on education recommended that the States should aim at devoting atleast 15% of their ordinary revenues to their annual budget for education. They felt however that it might embarrass a number of States if this recommendation were embodied in a resolution. They accordingly suggested that it may be circularised to the States.

5. The Plenary Session of the Conference met again at 10-30 A. M. on 9th December, 1944, when Sir Manubhai N. Mehta opened the Conference. Thereafter, the various Sections of the Conference met as indicated below :—

(*i*) *Education Section*—from 10-30 A. M. to 12-00 Noon (with Sir B. N. Rao as Chairman).

(*ii*) *Medical Section*—from 12-00 Noon to 1-30 P. M. (with Sir Joseph Bhore as Chairman).

(*iii*) *Post-war Reconstruction*—from 3-30 p. m. to 5-30 p. m. (with Sir V. T. Krishnamachari as Chairman).

The Resolutions adopted by this Conference are reproduced in Appendix C on Education, Appendix D on Medical Relief and in Appendix E on Post-war Reconstruction.

6. Sir Manubhai Mehta proposed a vote of thanks to His Highness the Nawab Ruler of Bhopal for his farsight in initiating the Conference which was passed with acclamation. Sir Manubhai Mehta, in his concluding remarks, emphasised the importance of planning. The finances involved in any constructive and productive schemes, he said, should not deter the States from formulating their plans because, in the words of the authors of the Bombay Plan finance was merely the handmaid of reform.

Sir Manubhai Mehta also stated that a delegation of States Representatives had recently met the Hon'ble Member for Planning and Development in the Government of India and had discussed the whole question of Post-war Planning as far as it affected the States. It was urged *inter alia* at this discussion that adequate representation should be ensured to the States on central bodies dealing with questions of policy in Post-war Planning work affecting the States and also on those charged with the implementation of such policies. Sir Manubhai added that the Hon'ble Sir Ardeshir Dalal had undertaken to codsider the suggestions.

APPENDIX A.

Inaugural Address by H. H. the Nawab, Ruler of Bhopal, at the Session of the All India States Conference on Education, Medical Relief and Post-war Reconstruction, New Delhi, the 7th December, 1944.

GENTLEMEN,

I have great pleasure in inaugurating the All-India States Conference on Education, Medical Relief and Post-war Reconstruction. In doing so I offer you all a most cordial welcome.

2. The meeting of the Standing Committee of Princes held in July 1944, unanimously accepted my suggestion that All-India States Conferences may be held every year on beneficent departments. This Conference is the first of that series and relates to Education, Medical Relief and Post-war Reconstruction. About 80 States are represented here, for which I am grateful to the Rulers and the Governments of the States concerned.

3. Events in India and abroad are moving incredulously fast and even the most progressive governments have constantly to adapt their institutions to meet the requirements of the changing times. I am not aware of any amongst the Indian States that have refused to be influenced by the progressive march of time. Almost every State in India is steadfastly working for the development of its resources, the improvement of its administration and the betterment of the standard of living of its people. In certain fields at-least, the Indian States are proud to have led the way for the rest of India. The States recognise, however, that there is, and always will be room for progress and for advancement. They are determined to pursue it to the fullest extent possible.

4. The Conference, which I have the honour to inaugurate today, is intended to assist the States in their desire to make further progress in social services. It is intended to pool the experience of British India and the Indian States as also of the leading countries outside India, in the important sphere of beneficent activities and to make it available to the States. It should also help to co-ordinate and, where needed, to stimulate action in this direction.

5. The Memoranda of the Secretariat placed before you give a resume of the available information, on each of the subjects of Education, Medical Relief and Post-war Reconstruction, in respect of the progress made in the States, the plans in view of the Government of India, and proposals of Post-war planning in Great Britain and U. S. A. I commend them to your consideration.

6. There are two questions of policy, however, in regard to which you are entitled to an indication from me, of the attitude of the Princes in general. Those questions relate to the internal reforms in the States and the central plans for Post-war Planning and industrial development.

7. On the first question of Internal Reforms I need only refer you to the Resolution (of which copies are laid on the table) which has been approved unanimously at the meeting of Princes held this week in Delhi. This resolution is a declaration of our policy on this important question. The Administration Reports of the States, which are published now by every Chamber State, and the information digested in the Memoranda placed before you, show that the Indian Princes almost without exception, are applying themselves earnestly to the progress of internal reforms within their territories. They lend further support to the statement of His Excellency the Crown Representative, made at a recent session of the Chamber of Princes that earnest endeavours were being made in the States to improve the administrative standards, and that various admirable reforms had been introduced.

8. In accordance with the highest traditions of the Indian States, their contributions towards the charitable, cultural and other institutions have recognised no limitations of frontiers or creeds. The figures already collected, which are not yet complete, show that since 1877 about 11½ crores non-recurring, and 40 lakhs (annual) and 1½ lakhs (monthly) recurring have been contributed by the Indian States towards such beneficent activities outside their own territories.

9. I shall now refer briefly to the attitude of the Indian States towards the Central Plans for post-war development. We are grateful to the Hon'ble Sir Ardeshir Dalal, for taking us in confidence as far as possible at this stage, in regard to those plans. We have considered them, within the time so far available, with the earnestness which they demanded. Our general conclusion is that it is in the interests of the States, as also of the country as a whole, that the States should co-operate to the fullest extent possible with these plans.

10. Our attitude towards the industrial development of British India and the States is equally reasonable. The economic interests of India and the need for raising the standard of living of its people demand all round development of its natural resources. The States, like British India, must look primarily to industrial development, to provide necessary revenues to meet the growing requirments of progressive administration and social services in the Post-war period. We believe that there is ample scope in India for the industrial development of British India as well as of the States. The Consumers goods required for the Indian population could not be supplied, for many years to come, even by the joint out-put of British India and the States. Any rise in the standard of living of the people of the States, through the development of States resources, would increase their purchasing power which would react favourably on the all-India position. It is therefore, in the interests of British India, as well as the States, and in the best interests of the country as a whole, that there should be the fullest possible industrial development of British India and the States.

11. The States must make up the great lee-way in respect of their industrial development if they are not to retard the progress of the country as a whole. I hope that we shall receive the fullest co-operation of British India in this matter; and it should be possible with good-will on both sides, to over-come any difficulties in the way. I am confident that such a development would be for the benefit of both.

We must not however, forget that all this can be achieved only if we just win the War. And in this connection I need hardly repeat what is already well known to all of you, that the Princes are determined to render every possible assistance towards the successful prosecution of the war.

12. Gentlemen, I will not detain you any longer. I wish you God speed in your deliberations.

APPENDIX B.

Resolution on Administrative Reforms.

The Chamber of Princes while emphasising the importance of internal reforms in the States emanating, where necessary, from the Rulers, themselves and their Governments, strongly recommends that, unless already done, the Governments of the States may carefully review their systems of administrations with a view to implement, to the fullest extent possible and with due regard to Local circumstances, the important recommendations made by the Special Drafting Committee of Ministers of 1942 in paragraph 53 of their First Report, which have been fully endorsed by the Princes Standing Committee and the Committee of Ministers. These recommendations which are already in force in many States and are receiving active consideration of many others, include—

(*a*) statutary provision guaranteeing the Rule of Law and the security and protection of person and property with powers to the States Courts to see that these fundamental rights are scrupulously enforced;

(*b*) the administration of justice through an impartial and competent Judiciary independent of the Executive, with suitable provision for the adjudication of disputes between the States and their subjects;

(*c*) the establishment of Council Form of Government providing for the advice and assistance of Ministers to the Rulers in the ordinary sphere of administration, and the association of the peoples with the governance of the States through suitable representative institutions, their pace and form being inevitably conditioned by local circumstances and with due regard to the traditions and the structural balance of society in the individual States;

(*d*) suitable arrangements to ensure continuity of policy and the Security and integrity of public-service;

(*e*) a clear demarcation between State expenditure and the Civil Lists of Rulers which may be fixed at reasonable percentages of the ordinary revenues of the States; and

(*f*) a fair and equitable incidence of taxation allocating a definite and substantial portion of the revenues for the benefit of the people particularly in the beneficent departments.

2. This Chamber, while recording the fact that the States individually as well as collectively are giving active consideration to and are working out plans for Post-war development, desires to emphasise in particular their suitable extension unless already done, in the following directions with due regard to local conditions:—

(*a*) the fullest possible collaboration with the Central Government in regard to such plans and policies for post-war development

which affect the States and in the formulation and implementing of which, they have been adequately associated. It is understood that in view of the diversity of conditions between British India and the States, collaboration with these plans does not imply complete uniformity of all details or the administration of these plans in the States territories without their agreement by any outside agencies;

(*b*) the adoption of effective measures for raising the standards of living of their peoples with particular attention to the improvement of the conditions of—

ex-soldiers and their families;

the labouring population;

the agricultural classes; &

the backward classes.

The Chamber recommends to His Excellency the Crown Representative that in order to enable the States to raise necessary funds for the aforesaid objects, they may be given all possible facilities for the development of their own industries and resources as requested by His Highness the Chancellor and the representatives of the States.

APPENDIX C.

Resolutions passed at the All-India States Conference on Education on 9th December, 1944.

Resolution I.—

"(*a*) This Conference desires to emphasise the great importance of a sound and progressive system of education in any general plan of social and economic progress. Unless educational reform and expansion finds a prominent place in that plan, there is little prospect of a satisfactory rise in the Cultural or Economic standards of the people or that of administration of the States.

"(*b*) The Conference, therefore, strongly urges on the States' Governments to make an ample proportion of their revenues available for financing educational developments."

Resolution II.—

"This Conference endorses the general basis of and the principles underlying the Post-war Plan of Educational development in India and appreciates the fact that this is the first comprehensive attempt made to survey the problem of National Education as a whole in British India. Without committing itself to all its detailed suggestions and recommendations it is of the opinion that the plan of Post-war Educational development in the States should be drawn up on similar comprehensive lines. The Conference is, therefore, of the opinion that the expansion and development of education should include not merely the establishment of more schools or offering instruction to a large number of scholars, but also in particular the provision of adequate arrangements for the training of teachers, the raising of their status and salaries, the construction of suitable school buildings and their proper equipment, the establishment of an efficient school medical service and the provision of expanded facilities for Secondary, Adult, Vocational and higher education, including physical education."

Resolution III.—

"This Conference is of the opinion that Adult Education must be visualised as an integral part of the scheme of Educational

Development in India in the same sense as primary of basic education and that special emphasis should be place on the following three considerations in this primary connection:—

(*a*) it is impossible to liquidate illiteracy in Indian States if a States-wide campaign for adult education is not organised side by side with the scheme of compulsory primary education.

(*b*) the term 'Adult Education' should be interpreted as including not only the imparting of literacy but also the dissemination of useful knowledge and training people in better ways of living.

(*c*) libraries both for new literates and educated adults should form an essential part of scheme."

Resolution IV.—

"(*a*) This Conference recommends to the States Governments the desirability of offering and welcoming a full measure of co-operation to and from other States in all such schemes of educational progress as call for concerted action for the realization of the common objective. In particular professional colleges, centres for research and experiments, special institutions such as reformatories and deaf and dumb schools, Technical and Training Institutes and universities can be established and properly maintained only if they enjoy free and full support of all those States which the institutions concerned are expected to serve.

"(*b*) In a large number of cases these co-operative measures can best be organised on a regional basis according to the needs of the situation in particular matters."

Resolution V.—

"This Conference recommends that looking to the importance of education in all beneficant activities, every State should aim at a target of doubling the school going population in five years and take all consequential steps such as revising the courses of study especially in the primary stage and wherever necessary training the teachers required for the purpose and provision of finance."

APPENDIX D.

Resolution passed at the All-India States' Conference on Public Health and Medical Relief on 9th December, 1944.

I. In view of the fact that it should be the aim of every progressive Government to secure for its people, freedom from diseases and the enjoyment of positive health and well-being without which they cannot make their maximum contribution to the life and development of the country, this Conference recommends to the States to review their Medical and Public Health administrations in the light of what has been done in this regard in the most advanced countries of the world so that it may be possible for them to lay down for themselves, programmes of health-development which, while taking full account of what has been achieved elsewhere, will yet aim at reaching a target, with due regard to their local conditions and resources, within the shortest time possible.

II. While this Conference notes with satisfaction the advance made by the Indian States in general and certain States in particular, in the field of medical aid, public health and sanitation, this Conference recommends that, where this has not already been done, a planned effort may be made to make further improvements in the standards of public

III. With a view to assisting the States in working out plans for bringing medical relief more easily within the reach of the peoples, and for the purpose of improving the health services in the States, this Conference recommends to the Chamber of Princes that a Committee including experts on these sevices be appointed to formulate proposals for the States—big and small, with due regard to local conditions and the requirements of Post-war period. This Committee may *inter-alia* examine —

(*a*) the possibilities of further developing indigenous systems of medicine, particularly in the rural areas;

(*b*) the consideration of the best means of pooling resources with the object of ensuring the requisite training and teaching facilities for the personnel required for the expansion of Medical and Health Services in the states in the Post-war period;

(*c*) the ways and means of associating private, voluntary and unpaid effort in the task of establishing the national health on a broad foundation thus reducing the heavy cost involved and utilising the factor of individual good-will and enthusiasm in furtherance of the campaign against ill-health.

APPENDIX E.

Resolutions passed at the All-India States Conference on Post-war Reconstruction on 9th December, 1944.

Resolution I.—

This Conference recommends that the Secretariat of the Chamber of Princes be strengthened by the engagement, for two years in the first instance, of experts to give advice and assistance to the States in regard to the development of social services and on technical matters including in particular Education, Agriculture and Forests. The details in regard to the method of work of these experts and other details connected there with including the contributions to be made by the States, may be referred to the Committee of Ministers to be worked out at the earliest possible opportunity.

The Conference recommends that Advisory Boards of the best available experts in the States may be set up on important departments and in regard to social services necessary for raising the standard of living of the people. These Boards will meet periodically to exchange ideas and advise States on general aspects of the questions with which they are concerned. Arrangements may also be made for the loan of the services of individual experts to such States as apply for them.

The Conference also recommends that there should be regional arrangements for co-operation among experts in contiguous areas.

Resolution II.—

This Conference recommends that it is in the best interests of the States as also of the country as a whole that the States should co-operate to the fullest extent possible with the Post-war Plans of the Government of India. It it understood, however, that in view of the diversity of conditions in British India and States, co-operation in this matter need not necessarily imply uniformity in regard to all details of the plans and is based on three obvious reasonable and fair assumptions :—

(*a*) Freedom for the States to work out details in the light of local conditions and to administer them within their territories.

(*b*) Adequate consultations with the States in the formulation *and* implementing of policies in matters affecting them.

(*c*) The interests of the States receiving fair treatment.

health and medical relief. In this connection, the Conference makes the following recommendations :—

(*i*) There should be a dispensary within a radius of 5 to 10 miles. There should be sufficient number of doctors according to population and incidence of disease.

(*ii*) Maternity homes and child-welfare centres should be established throughout the States.

(*iii*) In every dispensary, as far as possible, a trained midwife should be provided and, if possible, a health visitor. In the rural areas, the present indigenous system of Dais should be improved.

(*iv*) Till it is possible to provide dispensaries (as recommended above) covering an area between 5 to 10 miles, touring dispensaries should continue wherever possible and in any case the touring dispensaries are indispensible to meet epidemics.

(*v*) In considering rural uplift schemes, the subject of sanitary amenities of life for the peoples of the State should be given a prominent place and, in this connection, the following points need most careful attention :—

(*a*) Sanitary amenities should be provided by education, pursuasion and legislation.

(*b*) Adequate disposal of night soil by constructing public lavatories or trenches and trenching grounds.

(*c*) Provision of dust bins and katchra-collecting places in every suitable place.

(*d*) Provision of sanitary water supply and adequate legislation.

(*e*) Drainage schemes.

(*vi*) Indigenous medical-institutions are useful provided they are manned by qualified and registered Vaids and Hakims and Homeopaths holding diplomas from recognised institutions.

(*vii*) The establishment of T. B. Clinics and hospitals for infectious and venereal diseases. Since it is not possible for every State to provide a leper asylum, all such patients should be sent to the centre where a leper asylum exists. Zonal mental hospitals are also recommended.

(*viii*) The opening of common training centres for sanitary inspectors, nurses, midwives, compounders and health visitors on regional basis.

(*ix*) The establishment of a Medical college or colleges and a medical research institute in a central place to which students from all States should be sent for training.

(*x*) Health centres on suitable lines may be tried as an experimental measure in certain important States.

(*xi*) As far as possible, the States should set apart sufficient funds to enable some of their selected doctors every 3 or 4 years to be sent to medical institutions for bringing their knowledge up-to-date and for further training.

(*xii*) Every State, as far as possible, should have a Public Health Department either run independently or in conjunction with their Medical Department. Special attention should be paid to the vital statistics and nutrition problems.

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Resolution III.—

This Conference generally endorses the recommendations made by the Central Post-war Reconstruction Committee of the States in regard to the working out and implementing of Post-war Plans for the States.

Resolution IV.—(From the Chair).

The Conference records its appreciation of the valuable data collected by the Secretariat and placed before the Conference, and it recommends that this data may be circulated to the States to assist them in working out of their Post-war Plans.

Resolution V.—

This Conference recommends to the Central Post-war Reconstruction Committee of the States to examine in detail how far and under what conditions, assistance from the Central Government, the Chamber of Princes, the bigger States and the regional groups of States, can be made available to the smaller States for Post-war Development.

Resolution VI.—

This Conference is glad to note that the question as to how far the States can accept the main objective of the Bombay Plan in respect of raising the *per capita* income and the standard of living of the people of the country is under examination by a Special Committee of Ministers. The Conference recommends that that Committee may *inter alia* examine the allied questions of—

(*a*) the ownership, control and management of Public Utility Services and Key industries, and

(*b*) affording the largest measure of social security to labour including participation of labour in the profits of industrial concerns.

Resolution VII.—

This Conference recommends to the States that they may include in their annual Administration Reports a summary of action taken by them in regard to nation-building and beneficent activities.

Rrsolution VIII.—

This Conference recommends that the difficulty experienced by the States in obtaining plant and machinery for industries in States should be taken up with the Government of India.

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MEMORANDUM.

CONSIDERATION OF POINTS ARISING OUT OF THE REPORT OF SIR MANUBHAI N. MEHTA ON THE RECENT MEETINGS OF THE GOVERNMENT OF INDIA POLICY COMMITTEE ON TRANSPORT AND OF THE TRANSPORT ADVISORY COUNCIL.

The report of Sir Manubhai N. Mehta, to His Highness the Nawab Ruler of Bhopal, on the recent meetings of the Government of India Policy Committee on Transport and of the Transport Advisory Council, which he attended as a representative on behalf of the Indian States, is appended. The Committee of Ministers is invited to consider points arising out of this report and to suggest any action which may be desired.

(a) by His Highness the Nawab Ruler of Bhopal on behalf of the States collectively,

(b) by the States individually.

no decision to be taken by Govt of India which have any influence on Bhopal & States without Cabinet's

No. 5471 MOTIMAHAL, GWALIOR C. I.

Your Highness,

Meeting of the Transport Advisory Council for laying down Post war Reconstruction plans were held at Delhi on the 12th and 13th January last, while the Transport Policy Committee held its meeting at Delhi on the 15th of the same month.

As a representative on behalf of the Indian States I attended the Transport Policy Committee and as invited by the Government of India War Transport Department to be present as a " Visitor " I was also present at the meetings of the Transport Advisory Council.

As the subjects discussed and dealt with by both the Committees were practically identical I beg to submit only one report of the work done at these Committees with special reference to the development of Roads in the territories of Indian States.

As the very outset the main division of roads into the following four classes adopted at the Chief Engineers' Conference at Nagpur in December 1943 and by the Technical Sub-Committee that met at Lucknow was confirmed and accepted by the Policy Committee. The four classes are,

(1) National Highways
(2) Provincial Highways
(3) District Roads, and
(4) Village Roads.

The Central Government of India has undertaken to bear the cost of constructing and maintaining all National Highways. When accosted by me whether the Central Government would pay for the construction of National Highways passing through our Indian States, the Chairman (Sir Edward Benthall) hesitated to accept any such general responsibility for all States large and small and with the advice of his Finance and Technical assistants he only promised that each case would be considered on its own merits. When I instanced the case of the Agra-Bombay Road passing through Gwalior territory as well as the Shivpuri Jhansi Road as being largely helped financially by the Central Government they retorted that the participation in cost was mostly accepted on account of the exigencies of the Military situation and not as any general principle. They were inclined to consider the case of smaller States more favourably as want of resources justifiably called for help from the Central Government. The burden of maintenance, however, unlike the Provinces, would have to be shouldered by the States, whether in receipt of contribution towards construction or not.

The burden of constructing and maintaining Provincial Highways and District Roads would fall on the Provinces and States.

As regards Village Roads now being maintained by District Local Boards or Village Boards the Central Government were considering the desirability of extending some help to the Local Boards which always suffered from a Chronic shortage of funds. In the case of our Indian States I put forward their claim for help even in the case of Provincial and District Roads, now that the Petrol Road Cess was likely to be dropped and the Road Fund likely to be discontinued. The States were constructing their roads with substantial help from the Road Cess Fund and if that refund of the Petrol Cess to the States was to cease I emphasised the necessity of receiving some financial help from the Central Government for every State in financing its Road programme.

Along with the duty of maintenance of the National Highways the Central Government claimed the control and supervision over all National Highways for their own Engineers. On behalf of the States I demurred to the claim and would not allow any supervision by British Engineering Staff on the length of even National Highways lying in State territories.

The question of a Supreme Road Board for control over all road and transport developments was then touched and I urged that seats should be reserved on the Road Board for one or two States representatives.

The next question handled was the Road-Rail Management and adjustment of relations between railways and competitive roads and Motor Transport. That there is rivalry between rail and road traction was undeniable and to leave no room for unhealthy rivalry and cut-throat competition it was conceded that the Railways may be asked to negotiate for amalgamation with them of large motor transport concerns. It was necessary to eliminate unhealthy competition and with that object it was desirable to concentrate the functions of road transport in the hands of large responsible companies and where this was not possible, even for the States to make road transport a State concern and then join hands with the adjoining Railways, so as to make both the concerns profitable. When the Road Concerns are in the hands of small private companies they have to eke out their living by reducing passenger rates and freight rates and neglect the safety and the comforts of passengers at the same time. This duty of public carrier cannnot be so left in the hands of people who are unmindful of their obligations and neglect their duty with an eye to gain alone.

The Council thought it would be very desirable to make the Road Motor Transport also State Concerns, as in the case of Railways which are being bought out by the State from the hands of private companies. When both the concerns belong to one State or one Government it is easy to correlate their activities so as to provide to the public the maximum of safety and comforts at the minium of cost. The Hyderabad State has made both the Rail and the Roads Services its State Concerns and both are well managed. In the Gwalior State the Gwalior and Northern India Transport Company is State owned and its activities can well be harmonised with the Railways.

Where State ownership of motor Transport is not immediately practicable, salutary terms of management could always be negotiated if the management of the Road Transport Company is centred in the hands of a large responsible public Trust.

To minimise competition between Rail and parallel Roads, it was accepted as a wise policy to confine Motor carriage for passengers and goods only to short road distances. Passengers going only to short distances can go by motor, thus saving congestion in railway carriages for travellors journeying over long distances. Similarly unless the carriage of freight by motor lorries is not reserved and made obligatory for traffic bound only for distances under one hundred miles, the Railways which would suffer by competition would have to enhance freight rates for certain commodities like coal and grain traversing long distances. Such an increase in the freight rate for articles essential to industries like coal, cement and grain as well as cotton would only injure if not ruin industries in remote towns, dependant on such essential commodities. To prevent such injury it is necessary to exclude the competition of motor Lorries in long distance transport of goods.

Ultimately the question of supreme control was handled and it was proposed to get a Road Board appointed on the lines of the existing Railway Board. On behalf of the Indian States I urged their claim to have at least one member representing the States being nominated on the Board.

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Finally I pressed the necessity of some Judicial Tribunal, like the Railway Tribunal, accepted under Federal arrangements under the Government of India Act of 1935 as would be the final authority for appeal in all cases of dispute and difference between States and British Indian Provinces.

Our claims and contentions were received with attention, if not with sympathy and they were not contested.

Your Highness'
most obedient servant,
(Sd.) Manubhai N. Mehta.

Air Commodore His Highness
Nawab Mohammad Hamidullah Khan Bahadur GCSI, GCIE, CVO.,
Ruler of Bhopal.

BHANDARI PRESS, BHOPAL.

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Secretariat of the Committee of Ministers (Chamber of Princes)

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COUNCIL HOUSE,
NEW DELHI.
14th April, 1945.

Dear Sir,

The Items indicated below have been suggested recently by certain States for the consideration of the Committee of Ministers. This intimation has been received too late to be included in the agenda already issued. Moreover, complete data or memoranda have not been sent with these suggestions which make it impossible to incorporate these items in the supplementary agenda. In view, however, of the urgency and importance of the questions raised it is proposed to refer to them in the statement of the Chairman, in the meantime relevant papers and information is being collected. This advance intimation is being sent to the members so that they may come prepared with any available information on these items.

Yours sincerely,

MAQBOOL MAHMOOD,
Secretary Committee of Ministers.

Development of water and power resources of the country with special reference to rivers passing through many Provinces and States, and the setting up of regional bodies to deal with schemes for development of waterways which affect several administrations jointly.

DEWAN'S OFFICE
APR 1944
No. M. 1663.

Supplementary agendum to item 3 of the agenda of the Committee of Ministers.

The Government of India have recently issued a statement in regard to their future industrial policy. A copy of the summary of the statement is appended for consideration of the Committee.

Encls: One.

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points out, the development of industries is a Provincial subject, but it is open to the Centre to declare by law that the development of certain industries under Central control is expedient in the public interest, and thereupon it becomes a Central subject.

The statement emphasises that the arrangement by which legislation will in due course be passed by the Centre for this purpose will have no long range constitutional implications. It is intended to be in operation for so long as the present constitution lasts.

Setting forth three fundamental objects of industrialisation, the statement declares that Government have decided to take positive steps to encourage and promote the rapid industrialisation of the country to the fullest extent possible. The formulation of a tariff policy appropriate to the post-war needs and conditions of the country is under active consideration.

The statement indicates the extent to which the state will take part in industrial enterprises. Ordnance factories, public utility undertakings and railways, which are already largely state-owned and state-operated will continue to be so, while the bulk generation of electric power will also be a state concern, as far as possible. Apart from these, basic industries of national importance, such as aircraft, automobiles and tractors, chemicals, iron and steel, prime movers, machine tools and electrical machinery industries may be nationalised, provided adequate private capital is not forthcoming and it is regarded as essential in the national interest to promote such industries.

Government may also take over certain industries, in which the tax element is much more predominant than the profit element and it is necessary and convenient for the State to take over the industry. An example of such action in the past is the manufacture of salt.

All other industries will be left to private enterprise under varying degrees of control, those which cater to the ordinary consumer demands and are subject to free competition being controlled only to the extent required to ensure fair conditions for labour and a stricter control being imposed over industries of a semi-monopolistic nature or which control scarce industrial resources. The case of coal is proposed to be examined and dealt with seperately.

Existing Units. Within the field considered open for State enterprise, the question whether the existing units which are privately owned should be taken over by State will be examined on the merits of each case.

Certain industries of national importance such as ship-building and the manufacture of locomotives and boilers may be run by the State as well as by private capitalists. While normally a State enterprise will be managed by the Government itself, the possibility of management through private agency for limited periods, or operation through public corporations, has been indicated and Government's intention is to gain experience of management through such corporations.

The statement sets out proposals for Government assistance to industry. Government have decided it says, to discharge their responsibilities for laying the foundation of industrial progress, by the co-ordinated development of transport and electric power, an efficient survey of mineral resources; the promotion of scientific and industrial research and higher technical education. In addition, they propose to take part, either by making loans or by subscribing a share of the capital, in industrial undertakings important to the country's development, but for which adequate private capital may not be forthcoming.

Industries receiving this type of assistance will naturally be subjected to a greater degree of control than others, e.g. through Government representation on the Board of Management. In special cases, industrial enterprises will be encouraged by the guarantee of a minimum dividend on capital, or an undertaking to meet revenue losses for a fixed number of years, subject to the Government having a voice in management and the fixation of ceiling for the return on capital.

Government's assistance will also extend to the giving of adequate financial support to research organisations set up by industrial associations representing organised industries and of grants to universities for approved schemes of research. Such assistance will be in addition to direct Government organisation of research as, for instance, through the Council of Scientific and Industrial Research.

Encouragement to Indian Industry.

Apart from direct financial assistance, Government will, subject to reasonable safeguards as to quality and prices, continue to encourage Indian industry by buying its products in preference to others. It is also proposed to examine the tax system from time to time, to see that, while securing the ends of social justice and national budgetary interests, it does not tend to act adversely on development. Assistance will be afforded to industry in the procurement of capital goods required by it and organisations will be set up in the U.K. and the United States for this purpose. Government's help will also be forthcoming in making the services of experts available to industry where their advice is particularly essential.

Undesirable economic, social and strategic consequences of the concentration of industries in particular areas, often the result of fortuitous and haphazard growth, are proposed to be avoided. Government also consider that industry will have to be dispersed in many cases to enable India to reap the benefits of a widely spread industrial structure and its integration with agriculture.

The statement points out that in an un-regulated industrial economy, there is likely to be a tendency for capitalists to go in for schemes, which promise quick

returns but would result in lopsided development. It is, therefore, proposed to overcome these difficulties by fixing targets and allocating them on regional basis.

Government propose to take power by legislation to license the starting of new factories and the expansions of existing ones as, without these, planned industrial development will be impossible. With the object of securing that the powers proposed will be used in a manner that will command general public confidence and also of assuring Indian States that their legitimate desire for industrial development is not overlooked. A high-level board to advise the Central Government in the matter of granting licences for the industries, which will be taken over under Central control is contemplated. Details of the personnel of the board, its functions and other matters will be decided later.

Other Controls.

A number of other controls have been mentioned in the Government's statement to secure balanced investment in industry, agriculture and the social services, to secure for industrial workers a fair wage, decent conditions of work and living and a reasonable security of tenure, to prevent excessive profits to private capital, to ensure the quality of industrial products in the interests of both internal and external markets and finally to ensure that an unhealthy concentration of assets in the hand of a few persons or of a special community does not take place.

The first objective involves the maintenance of control over capital issues. The second is proposed to be achieved through appropriate labour legislation. Enterprises, which will be subject to free competition, will not be discouraged by any undue restriction of profits, but where such conditions do not exist and as a consequence excessive profits accrue, special steps will be taken as required. The quality of industrial products will be sought to be maintained through a system of standardization of products and administrative machinery to enforce standardisation. The fifth is proposed to be secured by a judicious exercise of controls such as the capital issues control and the licensing machinery for the regionalisation of industry.

The Government of India express confidence that it will be possible to evolve a machinery in consultation with the Provinces and States, which will enable an agreed policy to be implemented in practices in a spirit of friendly co-operation and propose, without delay, to enter into discussion with provinces and States in the light of the policy explained in their statement.

Confidential.

Supplementary agendum.

MEMORANDUM EXPLANATORY.

Revision of the constitution of the Tripartite Labour Organisation.

The Government of India have set up a Tripartite Labour Conference and a Standing Committee on Labour with which representatives of the Provincial and States Governments, and of employers and employees are associated. At the Sixth Labour Conference, the Hon'ble Dr. B. R. Ambedkar invited attention to the need for making certain changes in the constitution and functions of the Tripartite Organisation. The memorandum on the subject, received from the Government of India is enclosed (Appendix A). A sub-Committee of the Standing Labour Committee has been appointed to examine the constitution of the Tripartite Organisation with a view to its revision. The Committee will consist of two representatives each of employers and workers, two of Provincial Governments, one from the States and one of the Central Government. The Central Government representative will act as Chairman. The employers' representatives have not yet been nominated but the other members are as follows:—

1. Hon'ble Mr. H. C. Prior, Secretary to the Government of India, Department of Labour (Chairman).
2. Mr. A. Hughes, I.C.S., Labour Commissioner, Bengal.
3. Mr. G. B. Constantine, I. C. S., Labour Commissioner, Bombay.
4. Mr. M. A. Mirza, Labour Officer, Hyderabad Dn.
5. Mr. V. V. Giri, "Malathi", Giri Road, T. Nagar, Madras.
6. Mr. V. B. Karnik, 30, Faiz Bazar, Delhi.

2. The tentative views of the Labour Department of the Nizam's Government on the proposed revision, which are subject to consideration in the light of any modification that may be suggested by the Committee of Ministers and of the discussion at the Sub-Committee meetings, are reproduced in Appendix B. These documents may be treated as confidential.

APPENDIX A.

CONFIDENTIAL.

GOVERNMENT OF INDIA
DEPARTMENT OF LABOUR.
STANDING LABOUR COMMITTEE (SIXTH MEETING)

Memorandum on Agenda.

New Delhi, the 24th February, 1945.

CHANGES IN THE CONSTITUTION AND FUNCTIONS OF THE TRIPARTITE ORGANISATION.

The Chairman in his opening speech at the sixth Labour Conference drew attention to the need for making certain changes in the constitution and functions of the tripartite organisation and put forward certain proposals of a tentative nature. Government now desire to have the views of the Standing Labour Committee.

2. The existing constitution and functions of the Labour Conference and Standing Labour Committee are set out in annexures I and II respectively. The tentative proposals made by the Chairman at the last Conference are set out in annexure III.

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3. The Chairman's proposals contemplate classification of the present functions of the Labour Conference (and the Standing Labour Committee) in two lists, one dealing with general subjects such as terms and conditions of employment, labour legislation, social security, etc., and the other with concrete questions relating to labour welfare and administration of labour laws.

The proposed Labour Welfare Committee will deal with matters in the second list. The intention of the Chairman was to secure through the Labour Welfare Committee a body which would deal with the actual problems arising in the various industries and to bring into such Committee representatives of various important industries. He was of opinion that it might be found advisable to keep the Labour Welfare Committee as an organisation separate from the Labour Conference, and that the Labour Conference (and the Standing Labour Committee performing agency functions on behalf of the Conference) should confine itself to those items falling in list I, that is, terms and conditions of employment, labour legislation, social security, etc., looked at on broad lines and from an all-India standpoint.

4. There is a clear case for defining the functions of the Labour Conference and the Standing Labour Committee. In the absence of such definition there is at present some overlapping of functions and no clear enunciation of duties. It is not clear for instance whether the Standing Labour Committee can make a recommendation to Government having equal authority and force as recommendations of the Conference. It seems also clear that there should be a Labour Welfare Committee charged with specific duties in regard to concrete questions of welfare and administration of labour arising in respect of individual industries or local areas, but it is a matter for consideration whether such Labour Welfare Committee should or should not derive its authority from the Labour Conference. If it does not, then there is a risk that Government may receive advice on an individual concrete case differing either in essence or in detail from that given on a general case by the Labour Conference. On the other hand, if the Labour Welfare Committee is, like the Standing Labour Committee, to derive its authority from the Conference its position will not be as independent and it may take longer for its advice on individual concrete matters to reach Government.

The two alternatives therefore seem to be—

(*a*) That the Labour Conference should retain all its present functions in their plenitude and maintain its position as the premier organisation of its type in the country, the Standing Labour Committee and the proposed Labour Welfare Committee functioning as agents of the Conference in their respective spheres. If this is approved it will probably be found advantageous in the interest of speed and effective transaction of business to reduce the size of the existing Standing Labour Committee and to constitute the new Welfare Committee including among its members representatives of various industries.

The Standing Labour Committee may consist of the Secretary, Labour Department as Chairman, one Central Government representative, 3 Provincial Government representatives and 3 State representatives on the one hand and 3 representatives of Employers and 3 representatives of workers on the other hand with an adviser for each. The functions of the Standing Labour Committee and of the Conference should be as indicated in paragraphs II and III of annexure III.

The Labour Welfare Committee in this case should also be appointed by Government on the advice of the Labour Conference. It should include Secretary, Labour Department as Chairman, 4 members elected by the Conference, 12 representatives of employers and employees drawn from various categories of industry (it is suggested that the textile industry, engineering industry plantations and municipalities should in any case be represented and such other industries as the Conference may consider suitable—where an industry is represented it should be represented both

by an employers' and employees' representative), two representatives nominated by Government from non-officials, two representatives representing Indian States and two representatives of Provincial Governments.

The Labour Welfare Committee will consider all matters relating to labour welfare and to the actual administration of labour legislation and will be entitled to consider matters placed before them either by the Standing Labour Committee or by Government. The powers of the Labour Welfare Committee would then be similar to those of the Standing Labour Committee.

(b) The Labour Conference and the Standing Labour Committee should have constitutional responsibilities and functions as above but that the Labour Welfare Committee should have a composition and responsibilities as under (a), but should be independent of the Labour Conference and should consider only matters referred to it by Government and should in all cases report to Government.

5. To sum up, the points for consideration are as follows:—

(1) Should the powers and responsibilities of the Labour Conference and the Standing Labour Committee be as indicated in annexure III?

(2) Should the proposed Labour Welfare Committee function indepently of the Labour Conference or as part of it?

(3) In either case (*i. e.* whether it is independent of, or an agent of, the Conference) what should be its composition?

ANNEXURE I.

Labour Conference—Constitution, Functions etc.

(1) The Hon'ble the Labour Member of the Government of India (Chairman.)

(2) 3 representatives of the Government of India including 1 representative to represent Minor Administrations.

(3) 11 representatives of Provinces.

(4) 6 representatives of the industrially important States.

(5) 2 representatives of the Chamber of Princes to represent other States.

(6) 11 representatives of employees of whom 4 will be nominated by Government in agreement with the All-India Trade Union Congress, 4 in agreement with the Indian Federation of Labour and 3 as representatives of other employees' interests.

(7) 11 representatives of employers of whom 4 will be nominated by Government in agreement with the Employers' Federation of India, 4 in agreement with the All-India Organisation of Industrial Employers and 3 to represent other classes of employers.

2. The Conference shall meet at least once a year, the first meeting being held in Delhi and subsequent meetings at such places as may be decided upon from time to time.

3. The Plenary Conference shall advise the Government of India on any matters referred to it for advice taking into account suggestions made by Provincial Governments, States and the Chamber of Princes and representative organisations of Emlpoyers and Workers organised for the purpose of the Conference.

ANNEXURE II.

Standing Labour Committee-Constitution, Functions, etc.

(1) The Hon'ble the Labour Member of the Government of India (Chairman.)

(2) 1 representative of the Government of India.

(3) 1 representative each of the Governments of Bengal, Bombay and the United Provinces.

(4) (*i*) 1 representative to represent the Provinces of Assam, Bihar and Orissa.

(*ii*) 1 representative to represent the Provinces of the Punjab, Sind and North West Frontier Province.

(*iii*) 1 representative to represent the Provinces of Madras and the Central Provinces and Berar.

(5) 3 representatives of Indian States, including one representing the Chamber of Princes.

(6) 5 representatives of Employers of whom 2 will be nominated by Government in agreement with the Employers' Federation of India, 2 in agreement with the All-India Organisation of Industrial Employers and one to represent other classes of employers.

(7) 5 representatives of Employees of whom 2 will be nominated by Government in agreement with the All-India Trade Union Congress, 2 in agreement with the Indian Federation of Labour and one representative of other employees' interests.

2. The Standing Labour Committee shall consider and Examine such questions as may be referred to it by the Plenary Conference or by the Central Government taking also into account suggestions made by Provincial Govts., States, Chamber of Princes and representative organisations of workers and employers.

3. The Standing Labour Committee shall meet as often as it may be convened by the Central Government for the consideration of questions that may be put before it.

4. The Committee shall be competent—

(*a*) to advise Government on any matters referred to it by Government provided that copies of any such advice shall be forwarded to all members of the Plenary Conference.

(*b*) to report to the Plenary Conference upon any matters referred to it by that Conference.

ANNEXURE III.

Chairman's tentative proposals.

I. (1) The subjects which come within the scope of the Conference should be divided into two lists. List I will contain all general subjects such as (1) terms and conditions of employment; (2) Labour legislation; and (3) questions relating to social security. List II will include all concrete questions (1) relating to labour welfare and (2) relating to the administration of labour Laws. Subjects in List I will be assigned to the Plenary Conference which should be called by the simple name Labour Conference dropping the words 'Plenary and Tripartite'.

(2) A new body to be called Labour Walfare Committee should be created and the subjects falling in List II should be assigned to it.

(3) The composition of the Labour Welfare Committee will be as follows:—

(A) members elected by Standing Labour Committee;

(B) one representative of the Employer and one representative of the Employees drawn from organised industries and Municipal and other Bodies employing labour;

(C) persons nominated by Government from non-officials;

(D) persons representing Indian States; and

(E) representatives of Provincial Governments.

(4) There will be no change in the Standing Labour Committee so far as its composition is concerned. Only there will be a change in its functions. It will not be a deliberative body. It will be the agent of the Conference and will perform such of the duties as are assigned to it by the Conference from time to time.

II. The functions and powers of the Conference will be as follows:—

(1) To make recommendations to Government on matters relating to terms and conditions of employment and all questions of social security which might be placed on the Agenda.

(2) To refer any such matter or any part of such matter to the Standing Labour Committee with a direction:—

(*a*) to make a report back to the Conference, or

(*b*) make a recommendation to the Government.

(3) To appoint an *ad hoc* Committee to consider any matter on the agenda with a direction to report:—

(*a*) to the Conference;

(*b*) to the Standing Labour Committee with a view to:—

(*i*) make a recommendations to Government; and

(*ii*) make a further report to the Conference.

III. The functions and powers of the Standing Labour Committee will be such as may be conferred upon it by the Conference. It will be an agency of the Conference and will derive its authority from the Conference and will with the exception mentioned below conduct no business other than that which has been delegated to it by the Conference. It will, however, be open to Government to refer a matter on which it wants an early opinion direct to the Standing Labour Committee for report either to the Conference or the Government. But ordinarily any report or recommendation of the Standing Labour Committee should be made to the Conference.

The powers of the Standing Labour Committee will be:

(*i*) to make recommendations or reports to the Conference on matters referred to it by the Conference;

(*ii*) to make recommendations to Government in a case in which the Conference has directed the Standing Labour Committee to report to Government; and

(*iii*) to appoint *ad-hoc* Committees to consider any matter on the Agenda with directions to report to the Standing Labour Committee.

IV. The functions of the Labour Welfare Committee will be confined to matters relating to Labour Welfare and administration of Labour Legislation. Its powers will be to consider all such matters placed before it and to make recommendations to Government.

130 446

APPENDIX B.

Confidential.

Views of the Labour Department of H. E. H. the Nizam's Government regarding the revision of the Constitution of the Tripartite Organisation.

In para 5 of the Memorandum of the Govt. of India, the points for consideration are noted as follows:

(1) Should the powers and responsibilities of the Labour Conference and the Standing Labour Committee be as indicated in annexure III?

(2) Should the proposed Labour Welfare Committee function independently of the Labour Conference or as part of it?

(3) In either case (*i. e.*, whether it is independent of, or an agent of, the Conference) what should be its composition?

The views of the Labour Deptt., H. E. H. the Nizam's Govt., on the above questions are as follows:—

Re: (*1*) The powers and responsibilities of the Labour Conference and the Standing Labour Committee as indicated in annexure III are desirable.

Re: (*2*) The Labour Welfare Committee should function as part of the Labour Conference; but as in the case of the Standing Labour Committee, it may be open to Govt. to refer a matter direct to the Welfare Committee for report either to the Conference or to the Govt. If, however, it is considered desirable that the Labour Welfare Committee should function independently of the Labour Conference, it should be laid down that reports of the Labour Welfare Committee and the work done by it during the year should be brought up for consideration at the annual meeting of the Conference.

Re: (*3*) Whether the Labour Welfare Committee works independently of the Conference or functions as part of it, in the interest of the Indian States, it is essential that the 6 Indian States and the Chamber of Princes should each have a delegate either as representative or as Adviser in the Labour Welfare Committee for the following reasons:—

1. Although there are many problems of common interest yet each of the important States has its own peculiar questions to tackle and has its own point of view on individual questions.

2. Under the present constitutional arrangement a representative of one State is not fully aware of the problems and latest developments in the other States and, therefore, is not in a position to fully represent the views of any other State but his own.

3. The decisions of the Conference and of the Committees have immediate repercussions on the States. It is, therefore only fair that the States should have proper individual representation in such Committees. This is of particular importance to Hyderabad where a separate Department of Labour has been established and a Statutory Labour Advisory Committee is functioning on a Tripartite basis. (One of the labour representatives of this Committee was a labour delegate at the last Standing Labour Committee meeting held at Delhi.)

The question of proper representation of the individual States becomes more important in case the Labour Welfare Committee is to work independently of the Labour Conference.

Supplementary Agenda

FF 7/31

MEMORANDUM EXPLANATORY.

Opium policy of the Government of India so far as it affects the States.

The question of the Opium Policy of the Government of India so far as it affects the States was considered by the Committee of Ministers on the basis of a detailed note prepared by the Secretariat. The recommendations of the Ministers Committee were circulated to the members of the Standing Committee of Princes, and in the light of replies received the Political Secretary was addressed. The points urged on behalf of the States and the reply of the Political Secretary were circulated to all Chamber States in the form of a comparative statement and they were requested to intimate whether any further action was desired in the matter. Only one suggestion has been made, and it is, that the States should be allowed to cultivate opium for their local consumption under proper check and control. The Committee may consider whether this suggestion may be communicated for consideration on merits to the Political Department?

MEMORANDUM EXPLANATORY.

Information re: amounts paid to contractors and other non-officials by Durbars.

The Political Agent in the Eastern States has asked the States in that region to furnish the Income-tax Officers in British India with information regarding amounts paid to contractors and other non-officials by the Eastern States. The States concerned have invited the views of the Ministers Committee as to whether (a) they may refuse the supply of the information asked for or (b) they may ask for reciprocity in regard to supply of similar information concerning payments made in British India to State contractors and non-officials. The Committee's views are invited on this point.

MEMORANDUM EXPLANATORY.

Levy of Excise Duty on all power alcohol and rectified spirit.

Certain States invited attention of the Committee of Ministers to a communication addressed to them by their Political Officers in which they were requested to levy excise duty, at the same rates as in force in British India, on all power alcohol and rectified spirit produced in the States when used as motor fuel or exported to British India. A circular was issued to the States to ascertain the position.

Replies received showed that generally speaking the States had agreed to levy excise duty at British Indian rates on all power alcholol produced and used as motor fuel in their territories or exported to British India for this purpose. It was suggested however in these replies that the following points arising out of the communication of the Government of India may be placed before the Committee of Ministers:-

(a) The Central Government should have consulted the States concerned before levying the duty on power alcohol and rectified spirit.

(b) Where States had already made commitments regarding Excise Duty on products within their territories and had agreed to exempt them from excise duty or levy lower duty for a number of years, such cases deserved special treatment.

(c) Some arrangements should be made for the allocation of income between British India and the States, as in the case of matches, sugar, etc. where alcohol produced in States is exported to British India.

These suggestions, as recommended by the Committee of Ministers, were circulated to States for comments. The replies received indicate general agreement with the aforesaid suggestions. If approved, these suggestions may be communicated to the Political Department.

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These suggestions, as recommended by the Committee of Ministers, were circulated to States for comments. The replies received indicate general agreement with the aforesaid suggestions. If approved, these suggestions may be communicated to the Political Department.

MEMORANDUM EXPLANATORY.

Proposal for construction of Customs Outpost within Railway lands.

The Agent and General Manager Bengal Nagpur Railway has been granting licenses to merchants within the Railway land in the Patna State for the purpose of erecting temporary godowns for storing general merchandise etc. except dangerous goods for export and import by railway. The State objected to the grant of such licenses by Railway authorities and addressed the Political Agent to the effect that construction of these godowns and ware-houses was intended primarily to evade the payment of (i) premium for Nazul sites (ii) export and import duties and (iii) other State dues including the State income-tax.

The Political Agent stated in reply that the railway authorities attached considerable importance to this question since the total prohibition of such sales of goods would mean a loss to the railway in their carrying trade.

The Patna State desire to shift the customs outpost from the present site which is a long distance from the goods shed to some convenient place adjacent to it in the railway area in order to control and prevent smuggling. They have invited opinion of the Committee of Ministers.

Enquiries made have shown that no such case has arisen in any other State. This question relates to jurisdiction within railway lands in a State which has to be regulated by the terms of cession of Railway lands. As such primafacie if the terms of cession permit of a customs outpost being set up by the State in the railway territory, it could do so; otherwise while the State may shift the customs outpost to some convenient site near the goods shed it could not take it inside the railway area.

MEMORANDUM EXPLANATORY.

Development of water and power resources of the country which pass through many Provinces and States and the promotion of regional bodies for that purpose.

A circular has recently been addressed by the Political Department to various States to the effect that the Central Government have suggested the desirability of promoting regional bodies to deal with schemes for the development of joint waterways which affect several administrations jointly. The circular under reference states that the Central Government wish to know whether the States agree that India's waterway problems (except those that are of a finally local interest) should be considered on a regional basis and further whether the Centre should take part in promoting regional authorities for this purpose. The States are also invited to indicate the particular rivers to which this arrangement is desired to apply. In the Eastern States, the Political Officer has informed the States that as a very early answer is required he is informing the Residency that the answer to the first two questions is in the affirmative, and he has intimated to the States that if they acquiesce in this, no further reply is required. The States concerned have invited advice of the Committee of Ministers on this reference.

A detailed circular letter has also been addressed to various Provinces and States giving the policy of the Government of India on the problem of developing water and power resources of the country with special reference to those rivers which pass through many Provinces and States. The communication under reference is primarily concerned with two aspects of the problem -

(1) the desirability of the Centre providing technical advisory bodies of experts.

(2) assistance for the promotion of multi-purposes projects concerning more than one unit.

In regard to (1), the Central Technical Power Board has already been established, and the formation of a Central Waterways and Irrigation Board is under consideration.

The letter of the Government of India dated 8th December, 1944 concerns primarily the second aspect of this question, that is, promotion of multi-purposes projects. The views of the Provincial Governments and the States Governments concerned are invited particularly on the following points:-

(a) is it advisable that the waterways problems of India (except those that are of finally provincial interest) should be considered on a regional basis?

(b) if so, is it advisable that the centre should take a part in promoting the formation of commissions or authorities to consider the problems of the various rivers or their main tributaries which are of inter-provincial importance?

(c) if the answer to (b) is in the affirmative, in respect of what rivers should the centre take such part?

The question of riparian rights was examined in detail by a Special Committee of Ministers in 1930. That Committee examined in particular the agency to settle disputes between two units in regard to water rights and the principles which should govern the settlement of such disputes.

As regards the question of agency for the settlement of water disputes, Section 100 and 131 of the Government of India Act 1935 provide for the appointment of a judicial commission. The further question whether there should be an all-India authority for such matters or regional authorities and what principles should guide co-operation in this matter would require detailed and early examination in the light of previous papers and the suggestions that may now be received from the States. If approved, this question may be referred to an early meeting of the Legal Committee of the States to which representatives of States which have important riparian interests may be invited.

Two copies of the draft summary of proceedings of the meeting of the Committee of Ministers held on the 29th and 30th April, 1945 are appended. One copy may kindly be returned to the Secretariat by the afternoon of 2nd May 1945 with any amendments desired. In case of general agreement with the draft proceedings no reply need be sent.

Tajmahal Hotel,
Bombay.
30th April, 1945.

Tajmahal Hotel,
Bombay.

Draft summary of proceedings of the meeting of the Committee of Ministers held at Tajmahal Hotel, Bombay, on 29th April, 1945.

oOo

1. (a) Members whose names are reproduced in Appendix A attended the meeting.

(b) In the unavoidable absence of the Chairman due to illness, Nawab Sir Ahmed Said Khan of Chhatari presided.

Item 1 (Statement by the Chairman on certain matters of routine nature).

2. The Chairman made a statement which is reproduced in Appendix B on which the following decisions were taken:-

(a) The Chairman was requested to convey to Sir Manubhai N. Mehta the best wishes of the Committee for his speedy recovery.

(b) As recommended in the Chairman's statement the latest information and relevant papers in regard to the following subjects may be circulated to the States.

(i) Levy of Excess Profits Tax and general incidence of taxation on industries in the States.

(ii) Recognition of courts in Indian States by the Crown Representative for the purposes of Section 503 of the Code of Criminal Procedure.

(iii) Supply of annual information to the Crown Department re: large industrial concerns in States.

(iv) Issue of new Capital for industrial concerns in States.

(v) Civil Aviation.

(c) A circular may be issued to the States inviting information relating to the sale of rights of alienation in land to occupancy tenants, and this question may be placed again before the Committee of Ministers with the data received from the States.

(d) Information available in the Secretariat on the following items may be circulated to members as separate memoranda on the basis of which these subjects may be discussed as supplementary items of the agenda:-

(i) Opium policy of the Government of India so far as it affects the States.

(ii) Information re:amounts paid to contractors and other non-officials by Durbars.

(iii) Levy of excise duty on all power alcohol and rectified spirit.

(iv) Proposal for construction of Customs Outpost within railway lands.

(v) Development of water and power resources of the country which pass through many Provinces and States and the promotion of regional bodies for that purpose.

Permission was given to the following representatives of States to attend the meeting as observers:-

1. Mr. O.P. Reddi. (Mysore).
2. Nawab Aliyavar Jung (Hyderabad).
3. Captain Dhanda (Indore.).
4. Kanwar Jaswant Singh (Bikaner).
5. Sardar Ranbir Singh (Dholpur).
6. Mr. J.L. Jobanputra (Sachin).
7. Mr. S.K. Raja (Akalkot).

Item 2 (Consideration of the recommendations of the Finance Committee of Ministers on the subject of taxation on the Industries in Indian States arising out of discussion with the representatives of the Government of India).

Item 3 (Consideration of certain matters relating to post-war planning and industrial development in India so far as they affect the States).

4. Resolved that these two items may be referred in the first instance to an informal sub-committee consisting of the following members with instructions to report by tomorrow:-

1. Mr. O.P. Reddi.
2. Raja Gyan Nath.
3. Sirdar K.M. Panikkar.
4. Sirdar H.S. Malik.
5. Mr. A.P. Pattani.

Item 4 (Consideration of the recommendations of the Finance Committee of Ministers on the budget proposals of the Government of India for the year 1945-46 in so far as they affect the States).

5. The recommendations of the Finance Committee of Ministers on this item were approved.

Item 5 (Consideration of the question regarding representation of the States on all-India Committees and Empire and International Conferences).

6. The consideration of this question was referred in the first instance to a sub-committee consisting of the following members with instructions to report by tomorrow:-

1. Raja Gyan Nath.
2. Sir Liaqat Hayat Khan.
3. Sirdar K.M. Panikkar.
4. Sardar H.S. Malik.
5. Sirdar D.K. Sen.

Item 6 (Further consideration of the question of collection charges charged by the Railway Board for income from sale of grass and grazing fees etc. from railway lands within the territories of the States).

7. It was decided that the Government of India may be addressed that the arrangements made for the realisation of incomes from the sale of grass etc. from railway lands within the territories of the States and the percentage of the gross receipts charged as collection charges should be settled in consultation with the States, and that in the event of a difference of opinion the States concerned may be taken in confidence as to the basis on which those arrangements are made and the percentages for collection charges have been assessed.

Item 7 (Consideration of the question of trade mark legislation (Dewas S.B).

8. It was decided to recommend to the States that whi they may agree to necessary co-ordination relating to trade mark legislation in India provided they are consulted by the Government of India in regard to the legislation on this subject, they should not agree to the subordination of their officers to any outside agency or to making a contribution to British India of fifty per cent of all trade mark fees received by their agencies.

Item 8 (Consideration of certain questions relating to India's Sterling Balances and the position of the States).

9. It was resolved that the examination of this techn cal question may be referred in the first instance to the Finance Committee of States whose recommendations may be placed before the Committee of Ministers.

Item 9 (Consideration of the question of royalty for materials quarried from lands within the States by the Public Works Department of the Governmen of India).

10. The Committee noted that the communication under reference has been addressed only to a few States and that the practice on this question is not uniform in the States. It was decided that the digest of replies received from the States which explains the existing position within their territories may be circulated to all the States for information and such action as they may deem fit.

Item 10 (Consideration of certain items relating to the proposed Conference of the Speakers and Secretaries of the Legislatures in States).

11. The Committee was of the definite view that it is inadvisable to hold the proposed conference of Speakers and Secretaries of the Legislatures of the Indian State

Item 11 (Consideration of certain recommendations made

by the all India States Conference on Education, Public Health, Medical Relief and Post-war Reconstruction).

12. Resolved -

(a) that the resolutions adopted at the all India States Conference on Education, Public Health and Post-war Reconstruction, may be circulated to the States, and any data received from the States relating to these resolutions may also be circulated;

(b) that the Government of India may be approached to give every possible assistance to the States -

(i) in obtaining plant and machinery;

(ii) in the matter of financial assistance and technical advice for the development of the post-war plans on such terms as may be agreed;

(iii) in the matter of facilities for technical training in India and abroad for persons with requisite qualifications from the States.

(c) that Advisory Boards of the best experts available in the States may be set up as recommended by the Post-war Reconstruction Conference.

Item 12 (Consideration of points arising out of the Report of Sir Manubhai N. Mehta on the recent meetings of the Government of India Policy Committee on Transport and of the Transport Advisory Council).

13. Resolved -

(a) that the report of Sir Manubhai N. Mehta on the recent meetings of the Government of India Policy Committee on Transport and of the Transport Advisory Council may be circulated to the States for information;

(b) that no decision on transport questions which concern the States should be taken by the Government of India without consulting the States.

30th April

Item 2: Consideration of the recommendations of the Finance Committee of Ministers on the subject of taxation on the Industries in Indian States arising out of discussion with the representatives of the Government of India.

14. The recommendations of the Sub-Committee on item 2 of the Agenda were taken into consideration and approved as reproduced in Appendix C.

Item 3: Consideration of certain matters relating to post-war planning and industrial development in India so far as they affect the States.

15. The recommendations of the Sub-Committee on item 3 of the Agenda were taken into consideration and approved as reproduced in Appendix D.

Item 5: Consideration of the question regarding representation of the States on all-India Committees and Empire and International Conferences.

16. The recommendations of the Sub-Committee on item 5 of the Agenda were approved as reproduced in Appendix E.

Supplementary item No.1: Revision of the constitution of the Tripartite Labour Organisation.

17. It was decided that the Memorandum on this item with the note received from the Hyderabad State may be circulated to the States with the request that their comments may be forwarded to the Secretariat within a fortnight so that they may be in time for the Sub-Committee set up by the Government of India to examine the revised constitution proposed for the Tripartite Labour Organisation.

Supplementary item No. 2: Opium policy of the Government of India so far as it affects the States.

18. Resolved that individual States so desiring may address the quarters concerned on any points which may be justified by their existing agreements and local conditions.

Supplementary item No. 3: Information re: amounts paid to contractors and other non-officials by Darbars.

19. Resolved that it may be recommended to the States concerned that they may supply the desired

information to the officers of the Government of India on a basis of strict reciprocity.

Supplementary item No. 4: Levy of Excise Duty on all power alcohol and rectified spirit.

20. Resolved that no further action need be taken on this question.

Supplementary item No. 5: Proposal for construction of Customs Outpost within railway lands.

21. Resolved that the State concerned may be informed that if the terms of cession of the railway lands within its territories permit of a customs outpost being set up by the State in the railway area it may do so, otherwise while the State may shift the customs outpost to a convenient site near the goods-shed it does not seem permissible to locate it inside the railway area.

Supplementary item No. 6: Development of water and power resources of the country which pass through many Provinces and States and the promotion of regional bodies for that purpose.

22. It was decided to refer the examination of this question in the first instance to an early meeting of the Legal Committee of the States to which representatives of the States which have important riparian interests may be invited.

23. A vote of thanks to the Chairman, proposed by Sardar K.M. Panikkar, was unanimously carried.

145/131

Recommendations of the Sub-Committee in regard to association of the States in International, Imperial Conferences, etc.

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The Sub-Committee recommend -

(a) that persons in a position to express the point of view of the States should be associated with the Indian delegation to all Imperial and International Conferences.

(b) that any person drawn from the States for the purpose mentioned in (a) above should be such in whom the States have confidence to express their point of view. He should therefore be selected ordinarily out of a panel proposed by a committee consisting of the Chancellor and the Pro-Chancellor of the Chamber of Princes and the Chairman and the Vice-Chairman of the Committee of Ministers.

(c) that the person drawn from the States should be given the fullest opportunity of discussing the point of view of the States with the other representatives of India on the Delegation to such Conferences before the terms of the official brief are drawn up.

Correspondence

Pages 1 —— 16

Secretariat of the Committee of Ministers. 147 +5.

(Chamber of Princes)

Circular No. 7/M.C.

Council House,
New Delhi.

16th March, 1945.

Dear Sir,

It has been decided to hold the next sessions of the Ministers Committee at Gwalior from 22nd to 24th April, 1945.

On behalf of His Highness the Maharaja Scindia I have great pleasure in inviting you to this meeting which I trust you will be pleased to attend as State Guest.

Please let me know what kind of arrangements would suit your convenience. You may please mention the number of people attending on you.

Yours sincerely,

MANUBHAI.N.MEHTA.

Chairman, Committee of Ministers.

OFFICE
AR. 1945
BEDI:
ID.

Council House,
New Delhi.
6th April, 1945.

Dear Mr. Madhava Rau;

Please refer to your D.O.No:1731 dated 10th March, 1945 regarding the forthcoming meetings of the Committee of Ministers. Mr. O. Pulla Reddi is welcome to attend the meetings of the Committee in Gwalior this month. It is understood however that in accordance with past practice he will be treated as an observer, and not as a full member of the Committee which involves resignation by the existing member and the gazetting of his substitute. Nevertheless, in view of his position and status he will be treated as member for all purposes except for voting and as you are aware there is hardly an occasion in the Committee of Ministers when decisions are taken by votes as it is generally desired to reach agreed settlements.

Yours sincerely,

N. Madhava Rau, Esq.,
Dewan,
Mysore.

1491 2

P.S.

Please ask Mr. Reddi to intimate to Sir Manubhai at Gwalior the time and date of ~~a~~ his arrival there. The meetings will commence on 22nd April and will continue till 24th.

QASR-I-SULTANI
BHOPAL.

8th April, 1945.

My dear Madhava Rau,

Recent events indicate that important consultations in regard to the Indian constitutional reforms might be initiated soon after His Excellency Lord Wavell returns to India. This is welcome as the Indian Princes have already associated themselve with the general desire for the political advancement of the country. At the same time, it is incumbent on us to be fully prepared, without any delay, to make our contribution at any consultations that might take place so that we may be able to assist our Motherland and ensure the protection of the legitimate rights of our peoples and of our States at this juncture.

2. It is accordingly proposed to convene a preliminary meeting of a few Princes and Ministers to review the position and the plans so far prepared by the various Committees in the light of latest developments and to advise in regard to our future line of action in this important matter. In view of the urgency of this question, I suggest that this meeting might take place at Bombay, about the end of April, 1945, immediately after the meetings of the Committee of Ministers in Gwalior which have been convened from the 22nd to the 24th April, 1945.

3. I am writing now to invite you to this meeting and would request that in view of the importance of this meeting you may kindly solicit your Ruler's permission and attend it without fail. Short notice is regretted but any later date might probably be too late. I therefore trust that in the interests of the States and of India as a whole, you will join these deliberations even at some inconvenience.

4. This meeting is not connected with any of the recent activities of the Chamber of Princes and is being arranged on an informal exploratory basis for the purpose indicated above.

5. I shall be grateful if you will send me an early telegraphic reply.

Yours sincerely,

Pradhana Siromani N. Madhava Rau, BA.BL.,
Dewan of Mysore,
BANGALORE.

X 152

Qasr-Sultani,

BHOPAL, 8th April 1945.

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4. This meeting is not connected with any of the recent activities of the Chamber of Princes and is being arranged on an informal exploratory basis for the purpose indicated above.

5. I shall be grateful if you will send me an early telegraphic reply.

Yours sincerely,

Sd/- Hamidullah.
(Nawab of Bhopal)

Pradhanasiromani
N. Madhava Rau, B.A.,B.L.,
Dewan of Mysore, Bangalore.

To the Minister R & A with compliments for info
Secy.
16/4/45

DEWAN OF MYSORE

CONFIDENTIAL.

C.215/Cne Thru.

Glenview, Fernhill,

12th April 1945.

Dear Mr. Pulla Reddi,

I enclose herein a letter dated the 6th April 1945 received from Mr. Maqbool Mahmood, Secretary of the Committee of Ministers, and the agenda for the meeting of the Committee of Ministers to be held at Gwalior from the 22nd to the 24th April. I shall be glad if you will please advise me as to what reply may be sent to the letter. We may perhaps talk over the matter when I go to Bangalore next week.

Yours sincerely,

M. K. Sharadam

O. Pulla Reddi Esq., M.A., I.C.S.,
Minister for Revenue and Law,
BANGALORE.

X.154

Secretariat of the Committee of Ministers
(Chamber of Princes).

Camp Bhopal.

6th April, 1945.

Dear Sir,

I am desired to enclose herewith the agenda for the meeting of the Committee of Ministers to be held in Gwalior from 22nd to 24th April, 1945. The delay in circulating the memoranda due to my absence from India, is regretted. I reached Delhi on the 2nd instant and have just been able to complete the memoranda which are being printed and will follow within the next two or three days. Copy of the agenda will give an indication to the members in the meantime of subjects to be discussed sotthat they may collect necessary information from their governments and constituents in the case of those who represent groups of States.

Yours sincerely,

Encls: One.

Secretary
Committee of Ministers.

155 & 217

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Ahmedabad BGL	17. 13 20	Recd. here at H. M.		51

N Madhava Rao Esq Dewan
Mysore state Carlton House Bangalore

Reference my letter eighth instt. regarding Bombay meeting aaa to suit convenience most members meeting fixed Taymahal Bombay three afternoon first may and ten thirty forenoon second may aaa please telegraph your time date arrival and address Bombay -- Hamidullah--

N.B.—The name of the Sender, if telegraphed is written after the text.

Eden Press, Calcutta—No. 21 (5170/B-170)—16-12-44—1,00,000 Bks.

Telegram dated 19th April 1945 from the Dewan of Mysore, to His Highness the Nawab of Bhopal.

EXPRESS

His Highness
Nawab of Bhopal
BHOPAL.

eived Your Highness's telegram of seventeenth intimating dates
time for Bombay meeting stop As stated in my telegram yesterday
letter today Mr Pullareddi will attend meeting He will intimate
and time arrival and address to Mr Maqbool Mahmood

Madhavarau

Copy with the telegram from His Highness the Nawab of Bhopal forwarded with

TO 157

compliments to the Minister for Revenue and Law.

DEWAN.

M 1638/1

1877

158 X

Bangalore,

18th April 1945.

Your Highness,

I am thankful to Your Highness for your letter of the 8th April 1945 inviting me to the informal meeting of the Princes and Ministers proposed to be held at Bombay at the end of this month. In reply I have sent a telegram to Your Highness today regretting that owing to unavoidable circumstances I shall not be able to attend the meeting. Mr. O. Pulla Reddi, I.C.S., Minister for Revenue and Law, is attending the meeting of the Committee of Ministers proposed to be held at Bombay on the 29th and 30th April, and he will remain in Bombay up to the 2nd May to attend the informal meeting of Princes and Ministers.

I trust Your Highness is keeping well.

Your Highness's sincerely,

(Sd.) N. Madhava Rau.

His Highness
The Nawab of Bhopal, G.C.S.I., G.C.I.E., C.V.O.,
B H O P A L -

****

P.T.O.

DEWAN'S
19 APR 1945
No. M/1632

XR 159

Copy with the letter received from His Highness the Nawab of Bhopal forwarded with compliments to the Minister for Revenue and Law.

19.4.1945.

DEWAN.

160 B

T E L E G R A M

received at Bangalore and read over 'phone (15.4.45 11 a.m.)

New Delhi. 14th April 1945.

MADHAVARAU, ESQ.,
DEWAN OF MYSORE, BANGALORE.

AS REQUESTED BY VARIOUS MEMBERS, CHAIRMAN HAS CANCELLED MEETINGS MINISTERS COMMITTEE PROPOSED IN GWALIOR THIS MONTH. STOP. THESE MEETINGS WILL NOW BE HELD BOMBAY 29TH and 30TH APRIL BEGINNING 11 MORNING AT TAJ MAHAL HOTEL. STOP. STUDY CIRCLE WILL MEET 28TH MORNING TO CONSIDER LATEST CONSTITUTIONAL DEVELOPMENTS FROM VIEW POINT STATE. PLEASE TELEGRAPH TIME, DATE ARRIVAL AND ADDRESS BOMBAY. STOP. UNAVOIDABLE SHORT NOTICE REGRETTED.

= MAQBOOL MAHMOOD =.

Subd.

15.4.45

A 68 = ICT BEGGING CICLE RPTS BEGGING CICLE =

TELEGRAPH DEPARTMENT. No. 14

Recd. at ____ H. ____ M. | Sent at ____ H. ____ M. | Office Stamp.

From ____ | To ____

By ____ | By ____

= X 8K NEW DELHI V 14 72

N MADHAVA RAO ESQ DEWAN MYSORE

= AS REQUESTED BY VARIOUS MEMBERS CHAIRMAN HAS CANCELLED MEETINGS MINISTERS COMMITTEE PROPOSED IN GWALIOR THIS MONTH STOP THESE MEETINGS WILL NOW BE HELD BOMBAY TWENTYNINTH & THIRTEITH APRIL BEGGING ELEVEN MORNING AT TAJMAHAL HOTEL STOP STODY CICLE WILL MEETING TWENTYEIGHTH MORNING TO CONSIDER LATEST CONSTITUTIONAL DEVELOPMENTS FROM VIEWPOINT STATES LEASE TELEGRAPH TIME DATE ARRIVAL & ADDRESS BOMBAY STOP UNAVOIDABLE SHORT NOTICE REGRETTED

BBOOLMAHMOOD

168

X 141

[illegible]

[illegible]

[illegible]

[illegible]

Submitted

Message transmitted

to Mr. Mulhern and swamp

at Lake View Mayor

for submission to the Senate

Nov

1574

163

Submitted

Mr. V. A. D'Souza told me at 0045 that the Diwan said that the papers relating to the meetings of Ministers and Rulers held at Bombay would be sent to him

Bombay. Please
Secretary.

Submitted for orders if any action is to be taken regarding this request.

13/5/45

Chief Secy